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Board of Trade

Registration of Accountants

Minutes of Evidence

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

FIRST DAY.

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E., (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERICK EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE,
7th February, 1930.

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May 22, 1930 RF

FIRST DAY.

Thursday, 27th March, 1930.

PRESENT :

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. JOHN SCURR, M.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

SIR WILLIAM PLENDER, BART., G.B.E., Ll.D., F.C.A. (*President*), MR. WILLIAM CASH, F.C.A. (*Past President*), THE HON. GEORGE COLVILLE (*Secretary*), representing the Institute of Chartered Accountants in England and Wales, called.

The Committee had before them the following Memorandum by Sir William Plender :—

MEMORANDUM No. 1.

I am this year President for the third time of the Institute of Chartered Accountants in England and Wales and am the Senior Partner in the firm of Deloitte, Plender, Griffiths & Co., of 5, London Wall Buildings, London, and elsewhere.

1. I was after examination admitted an Associate of the Institute in March, 1884, and became a Fellow in 1902, and served my terms as President of the Institute in 1910/11 and 1911/12.

2. In the year 1906 the Liverpool Society of Chartered Accountants, composed of Members of the Institute who practised in Liverpool, passed a Resolution in favour of some measure of Registration. This caused lengthy discussion on Registration between the Institute and the Society of Incorporated Accountants and Auditors which took the form of a Bill which was in May, 1909, put before the General Meeting of the Members of the Institute. At this meeting 306 Members were present out of a total then membership of 3,973. A resolution in favour of the Bill was carried with three dissentients and it was introduced into the House of Lords in June, 1909, but opposed by the Scotch Chartered Societies and failed to pass. Negotiations followed with the Scotch and Irish Societies with a view to extending Registration to Scotland and Ireland, and in 1911 a Bill was promoted jointly by the Institute, the Scotch and Irish Societies of Chartered Accountants, and the Society of Incorporated Accountants and Auditors. This Bill was read a second time in the House of Lords and received the support of the Government, but was blocked in the House of Commons and dropped. The Bill was blocked in the House of Commons by a private member acting, it was then understood, on the suggestion of certain Railway Accountants, who were the permanent full-time officials of the Railway Companies and in no sense practising Public Accountants, and indeed it soon became evident that the claims to recognition which would be put forward and the amendments which would be necessary to ensure the passing of the Bill were such that Registration on a basis which would adequately safeguard the public and be acceptable to the Profession would not be forthcoming.

3. During the war the subject remained dormant, but in the early part of 1923 it was revived at the instance of the Incorporated Society. An informal conference of the representatives of the English, Scotch and Irish Societies and the Incorporated Society was on the suggestion of Sir James Martin, then the President of the Society, held at the Institute on 17th April, 1923, but had no definite result and was adjourned.

4. At that time (1923) it appeared clear to me that any suggestions for Registration did not spring from any public demand for it, of which there was no evidence.

5. The views of the Council of the Institute that Registration unless confined to properly trained and qualified practising Accountants would be against the true interests of the public and detrimental to the profession were conveyed to the representatives of the Societies concerned at the adjourned conference which was held at Edinburgh on the 2nd June, 1923, when after discussion the following Resolution was unanimously adopted :—

> "That whilst Registration of the practising members of the profession in England and Wales, Scotland and Ireland, would possess advantages in enabling supervision to be exercised both in education and conduct, and possibly in affording protection to the public, this meeting also recognises the practical difficulties in legislative attempts and the disadvantages of a too embracing register and does not, therefore, for the time being, consider desirable the introduction of legislation by way of a private Members' Bill or through the Board of Trade as a Government measure, and that this conference stand adjourned."

The three Scotch Societies took the definite view that Registration was not needed so far as Scotland was concerned, but were good enough to say that they would not in principle be opposed to a Bill if the English Institute were in favour of it.

6. Shortly after this, in July, 1923, the Central Association of Accountants, Limited, asked to be represented on any Committee which might exist for the consideration of Registration, and again in 1924, repeated this request through their Solicitors. As, however, the conference above-mentioned has been adjourned *sine die* nothing further was done.

7. In October, 1924, the subject was revived by The Corporation of Accountants, Limited, whose head office is in Glasgow. This Corporation went so far as to draft a Bill creating definitely for the first time the title "Registered Accountant." This Bill received careful consideration at the hands of the Council of the Institute, who on the ground that it would include a great number of persons who were not properly trained and qualified practising Public Accountants refused to support it ; the Bill made no progress and was never actually introduced into Parliament.

8. The conditions to-day are widely different from those prevailing in 1909–1911. The Institute

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membership has largely increased in the interval; the growth of Accountants identified with other bodies has increased in a greater ratio; the status of the Chartered Accountant has improved and is more generally recognised as being the hall-mark of efficiency and high-standing, and Registration is a device to seek to reach a measure of equality between all Accountants.

9. There is no evidence of a public demand for Registration, if by this is meant the resolutions of representative bodies of business people, such as Chambers of Commerce or trade organisations. Such letters as have appeared in "The Accountant" advocating it are very few and generally from unimportant or anonymous individuals.

10. I have been at particular pains during the last few months to try and ascertain the general feeling of the Members of the Institute on the subject of Registration. Our Secretary has recently been asked to get into touch with leading Accountants in all parts of England with a view amongst other things of ascertaining the local opinion on the subject; I have also personally discussed the matter during my visits to the Provinces and with leading Accountants in London, and, while it is impossible to take a plebiscite of the Members on the subject because no scheme has been put forward by those in favour of Registration, I am definitely of the opinion that the general feeling of the Members of the Institute is not in favour of the principle of Registration; there has also been a full discussion in the Council on the subject at so recent a date as the 5th February, 1930, when the following Resolution was passed unanimously:—

> "That this Council, after careful consideration of the subject, are of opinion that there has been no public demand for Registration of Accountants, and that such Registration would not be in the public interest. If, however, Registration of practising Accountants is enforced by the Legislature, this Council are of opinion that the Members of the Institute, a body incorporated by Royal Charter, should be excluded from the provisions of any such legislation, and that the separate entity of the Institute with the rights, powers, examinations and other privileges which are assigned to it by the Royal Charter, should be preserved."

11. If Registration takes place, it would undoubtedly raise the status of a large number of Accountants who are not Chartered Accountants. Registration would, in the eyes of the public who are not fully informed, convey an idea of equality in professional skill, which would be far from the truth, and the many thousands who would come on to the Register would unquestionably benefit by the process, to the disadvantage of the public as well as to the Members of the Chartered Institutes, practically all of whom have had a long and arduous training and passed searching examinations.

12. The Council of the Institute place the greatest reliance on service under articles; and service under articles and passing the examinations has been with but very few exceptions the *sine qua non* for admission to the Institute. With two exceptions no person has been admitted without examination since 1908. These two exceptions were (i) in 1919, a man who had had 44 years' continuous service as an Accountant's clerk and (ii) in 1920, a woman who had been in continuous practice for 41 years and who came under The Sex Disqualification (Removal) Act. Out of a present membership of just over 9,000, only 227 have not passed the final examination and some of these passed examinations prior to 1880 of the constituent societies.

13. In my opinion it is of the most vital importance to the public and to the business community that the highest possible standard of efficiency and integrity based on examinations, on practical training, and on a strict standard of professional discipline should be maintained. The Chartered bodies have built up their reputations by maintaining such a standard, and if by "Registration" is meant the admission to the same status in the eyes of the public of a large and ever increasing number of persons who have admittedly not had the same advantages of practical and theoretical training and have never been subject to the same standard of discipline the result will in my personal opinion be fraught with grave risk to the community. Again, under present day conditions, Accountants are universally concerned with questions of taxation and with the preparation and certification of returns for the Inland Revenue and other Government Departments. I am informed by the Authorities concerned that they place great reliance on Chartered Accountants with whom they have to deal, so that from this standpoint also it is essential that a high standard should be maintained. During and since the War the Chartered Accountant has been more and more recognised by successive Governments as a person to give valuable help in serving on Royal Commissions, Departmental Committees and in many other ways, of which I may give as illustrations the following instances: Controller of Enemy Banks, Member of Railways Amalgamation Tribunal, Financial Advisers in Ministry of Munitions, Controllers of Munitions Contracts, Advisers to the Admiralty on Contracts, Advisers on Accounts of Public Departments for the Treasury, Board of Trade, Post Office, &c., Members of the Board of Referees under the Finance Act, 1915, and Members of innumerable Departmental Committees dealing with Enemy Debts, Income Tax, Company legislation, Assurance Companies Accounts, &c., &c. It is seldom, in fact, that a Departmental Committee is formed that touches accounts or finance on which a Chartered Accountant does not serve.

14. In the majority of professions, practical experience before admission to practice is required. A Solicitor has to serve under Articles in a Solicitor's office for five years. A Barrister usually reads in a Barrister's chambers, and no Barrister could think of practising if he had not rigorously attended in Court and made himself acquainted with its practice. A medical student has to work in a hospital, and in a large number of trades, apprenticeship, that is, practical experience, is essential. In England and Wales the Institute of Chartered Accountants is so far as I have been able to ascertain the only body of Accountants which makes service in the office of a Public Accountant an essential condition of membership.

15. Apart from Law and Medicine, the only professional bodies which have registration are Dentists and Veterinary Surgeons. In neither case is the term Registered Dentist or Registered Veterinary Surgeon made statutory or used.

16. I should like, if I may, to refer to some of the difficulties which I understand have been experienced by the Royal Institute of British Architects in an endeavour to promote a Registration Bill for the Architects' Profession.

In the year 1926, when the Royal Institute of British Architects amalgamated with the Society of Architects, a Bill was drafted and introduced by the R.I.B.A. to enable a Register of Architects to be set up and maintained with specific qualifications which should enable persons to be eligible for registration. It was also provided that only persons who were registered under the Act should be entitled to practise in Great Britain under any style containing the words "Architect," "Architectural" or "Architecture" and penalties for breach of these provisions were provided. The body responsible for the Register was to be the Council of the R.I.B.A., who were to have certain powers to make regulations and also to prescribe fees in respect of the entering of any name or other particular on the Register and generally for the upkeep and working of the Register. The Bill was short and fairly simple in its provisions and might have operated quite satisfactorily. It was presented and ordered to be printed by the House of Commons in February, 1927, but opposition immediately began to come in from many quarters. This opposition was mainly from various bodies, many of them of small standing, who represented that their members performed architectural functions and therefore should be entitled, *ipso facto*, to be entered on the Register in the same way as Naval Architects and Members of the Surveyors Institution or the Institution of Civil Engineers. The Bill was read a second time in the House of Commons and referred to a Select Committee. That Committee met on fourteen days and heard a mass of evidence on behalf of bodies who claimed to be interested. The Committee made a special report to the House and stated that in view of certain amendments which had been made in Committee and to the evidence submitted, they hoped an early opportunity would be given to the House in the following Session to consider an amended Bill.

In 1928 a Bill in the form amended by the Committee was presented to the House of Commons, but opposition again developed both in and outside the House, and the House was counted out during the discussion on the second reading.

In Session 1929, the Bill was again presented in the House of Lords with certain additions to the First Schedule, that is to say, the so-called "Board of Architectural Education" was again augmented. A Special Discipline Committee was set up under the Bill on which, *inter alia*, there were to be representatives appointed by the Ministry of Health and the Law Society. I understand this Bill passed the House of Lords, but owing to the Dissolution proceeded no further.

I am told a Bill has been introduced in the present Session but at the moment no progress has been made.

17. The general trend of this effort on the part of the R.I.B.A. has been to bring into prominence the many practical difficulties of any scheme of professional registration; one of the basic difficulties being to define the exact meaning of the word "Architect" and the exact functions which an Architect performs. Any attempt at such definition has immediately aroused opposition from persons who, possibly amongst other things, perform one or other of the functions of an Architect, or concern themselves in some way with Architecture. I am convinced that similar practical difficulties, and perhaps in an aggravated degree, will develop immediately an attempt is made to define what is meant by an "Accountant" and what are the proper functions or duties which an Accountant performs.

18. Difficulties of the same nature must confront any Registration Bill for Accountants both from numerous small societies, of which a list is attached with the dates of their formation*, and many of whose members cannot possibly be deemed qualified practising public accountants in the true sense but who will press for admission to the Register. If it be assumed that no person shall be entitled to do accountancy work, unless he is registered, which apparently points to a monopoly, there will no doubt also be opposition or claims for inclusion on the Register from the Institute of Municipal Accountants and Treasurers and the Railway Accountants previously referred to, and from bodies like The Institute of Secretaries, the members of which do accountancy work as part of their business and who would oppose any system of Registration which did not provide that this, the lesser side of their business, should entitle them to register as accountants. What, again, is to be the position of the many large Institutions such as Banks, Insurance Companies, etc., who hold themselves out as willing to undertake for their customers accountancy work such as the preparation of Income Tax returns, the reclamation of overpaid duties (retired Revenue Officials would also be affected who do this work), the preparation of trust accounts, etc.? Is the Secretary of a Company or a layman to be prohibited because he is not on the Register, from being appointed as a Liquidator in a voluntary winding-up or as a Receiver, or from being a Trustee in Bankruptcy or under a Deed of Arrangement or from acting as an Arbitrator or Umpire in References in which Accountancy problems are involved? Would Bank Clerks and Accountants to Companies whose spare time may be occupied in helping tradesmen and others in the preparation of balance sheets, etc., be precluded from doing such work? Would Solicitors, Estate Agents and others who do Accountancy work be free to continue to do so? How would "monopoly" affect Accountants of other nationalities practising here—such as American firms—or in their doing special Accountancy work though not having an office in Great Britain? If they were affected might not reprisals be taken against English firms, and there are many, practising abroad? At present English or Scotch firms practising abroad are not interfered with.

19. Furthermore, if the proposed Act is to include the provisions that only Accountants on the Register are to act as Auditors, considerable difficulties are likely to arise, for at the present time there are a large number of Public Companies who employ lay auditors, and must be qualified as Stock Holders, e.g. the Peninsular and Oriental Steam Navigation Company, the Irish Railway Companies, the Prudential Assurance Company, the Great Western Railway (joint), the San Paulo & Brazilian Railway Company (joint), the European Gas Company (joint), the Imperial & Continental Gas Company (joint), the Regents Canal Company, &c., as well as The Stock Exchange and innumerable charitable and philanthropic bodies. There are also many Statutory Companies, e.g. particularly gas and water companies, whose Statutes provide that the auditors shall be shareholders and not necessarily professional Accountants.

20. Registration must in my considered judgment mean a levelling down of the profession of Accountancy rather than a levelling up. As has been well said by one of the Council of The Incorporated Society of Accountants and Auditors in an address to Students of that Society on this subject in 1927: "You cannot water your capital without reducing the value of your shares."

21. On any scheme for Registration two great questions must be faced: (*a*) the standard and system of education and examination and (*b*) the discipline of "Registered Accountants." With regard to the former, I should press that the standard should in the public interest be kept as high as that of the Chartered Bodies. I may be met by the argument that when the Chartered Bodies were formed many persons were admitted without examination, but I would reply that in 1880, there were comparatively very few persons practising Accountancy (the number who joined the Institute on its formation was 599), the science of Accountancy was nothing like so advanced as at present, and the need of skilled Accountancy which is so vital in these days, was not so widespread. As to discipline, I can see great if not insuperable difficulties; the Institute of Chartered Accountants now has just over 9,000 Members, and the maintaining of a high standard of professional discipline and etiquette is one of the most difficult tasks the Council has to face. Even on the assumption that "Registration" will only embrace those persons who can prove they are bona fide practising Accountants and those members of the various existing Societies who, although not practising, may claim admission to the Register, I estimate that any system of general Registration must embrace at least 25,000 to 30,000 persons, and to maintain discipline and enforce professional etiquette on such a large number will be very difficult if not indeed impossible.

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22. I may be asked, "If you are opposed to Registration and the Committee decide in favour of it, what do you propose or what will be the attitude of the Institute?" To this I should reply, that if Registration is decided upon, I should ask that Members of the Chartered Bodies having been created by Royal Charters should be left outside the Register and free to continue to practise as "Chartered Accountants" under the provisions of their respective Charters. If this is deemed impossible or it is desired that the Chartered Bodies should assist to try and make Registration a success, I should urge with all the strength at my command, that their title of "Chartered Accountant" and distinguishing initials of "A.C.A." and "F.C.A." should be preserved and that their present organisation under their Royal Charter with their own system of examination and discipline should not be interfered with, and in any Register set up the status of every one registered should be mentioned, i.e., Chartered Accountant, Incorporated Accountant, or such other description as each person is entitled to. Personally I am opposed to the creation of a statutory title such as "Registered Accountant"; if registration is considered to be necessary, I would let the members of all the existing Societies keep their present titles, with liberty to state that they are "Registered under Act of 19 ." Any person entitled to register and not a member of an existing Society could describe himself as a "Public Accountant registered under Act of 19 ," or if belonging to an existing Society and preferring to call himself a "Public Accountant registered under Act of 19 " he should be at liberty to do so.

23. If a Register is set up and Chartered Accountant bodies are not included, it is submitted that any member of those bodies who elected to go on the Register should be permitted to do so on application, as there may be a few of our members who favour registration. They should, however, it is submitted, continue to call themselves Chartered Accountants.

24. The question of Registration in the Irish Free State is at the present moment under consideration and meetings of representatives of certain Accountant bodies with members practising in the Free State and a representative of the Irish Ministry of Industry and Commerce have been held. The bodies represented were The Institute of Chartered Accountants in Ireland, The Society of Incorporated Accountants & Auditors, The London Association of Accountants Limited, The Irish Association of Corporate Accountants, The Irish Association of Accountants Limited, and the Central Association of Accountants Limited. In the Free State, the number of practising Public Accountants is quite small, the figure given being 155; but I am informed that the scheme, which may meet with Government approval, involves the retention of the Institute of Chartered Accountants in Ireland as a separate entity, its membership being accepted as a qualification for admission to the Register. The Register is in the first instance to be a Register of all Accountants in practice at the date of the introduction of the Bill. The principle of service in a practising Accountant's office is deemed an essential qualification for registration, and was accepted by all the bodies represented except the London Association. If the Act comes into operation five years' service under Articles would be required or eight years' continuous service in the office of a practising Public Accountant on the Register. All bodies other than the Institute of Chartered Accountants in Ireland would lose their identity under the Bill and cease to function as far as the Irish Free State is concerned. It was agreed that the Institute of Chartered Accountants in Ireland and the Society of Incorporated Accountants and Auditors, which has an organisation in the Free State, should be named in the Bill and no other Societies, and that the examinations of the Institute and Society only should be accepted as a qualification for the Register. So far as I can ascertain nothing has yet been decided as to allowing persons on the Register to use any particular title such as "Registered Accountant."

25. I do not deal in this Memorandum with the history of the Institute, its growth, membership, system of education or syllabus of examinations, as these are all dealt with in detail by Mr. Colville, our Secretary.

26. It is possible that the Committee may consider this Memorandum deals only generally with the subject, but no Scheme has yet been seen by me showing what qualifications will be necessary for entry on the Register or what provisions are to be made for education, training and discipline. If and when proposals are put forward and I have had an opportunity of considering them carefully with my Council, I shall be quite prepared to deal with matters of detail.

7th March, 1930.

SIR WILLIAM PLENDER examined.

(*Chairman*): Sir William, we have your Memorandum here. Would you like to add anything to it now?—Supplementing the statement which is before each Member of the Committee, I would like to say that, since 1911, when a Bill for Registration was introduced in the House of Lords, promoted by the Institute of Chartered Accountants in England and Wales, the three Chartered Scotch bodies and the Society of Incorporated Accountants and Auditors, generally known as the Incorporated Society, there has been a very appreciable growth in the duties and in their volume, cast upon chartered accountants by the public and by Government Departments. Since then the scope of their work has greatly widened, such as in costing, income tax, acting as financial advisers, dealing with reconstruction schemes, and readjustments of capital, etc. The public realise the services they receive and they are employing chartered accountants, and if appreciation is measured by the volume of work, and important work, it is abundantly clear that discrimination is already exercised by the public. May I, as evidence of this discrimination, put in a Statement which has not yet been before the Committee, and which contains information extracted from the Stock Exchange Official Intelligence for the year 1929.* It will be seen from the Statement that, out of a total number of 5,518 companies, 4,971 have their accounts audited by chartered accountants, or firms in which all the partners are chartered accountants; and the issued capital, including debentures, of that number of companies is £5,595,000,000. And I may say, as regards the number of companies so mentioned, 4,971, the firms of accountants employed on those audits number 984. Perhaps there is no need for me further to amplify the Statement, as it seems to be quite clear, I think; but if any member of the Committee would like to ask questions on it, I shall be only too happy to answer them. (*Mr. Walker Clark*): Does this include the Scotch? (*Witness*): Yes. You will see in the middle of the page that there are totals which show that, taking the figure of 5,248 companies in which either the accounts are audited by chartered accountants solely, or by firms in which a chartered accountant is a partner, the combined issued capital, shares and debentures of that total of 5,248 companies is no less than £5,980,000,000. If I may give another illustration: in the year 1929, 290 prospectuses were advertised in the London Press and, of that number of 290, no less than 263 had as auditors firms of chartered accountants. The number of firms of chartered accountants sharing those audits was 116. Of the remaining 27 companies, that is the difference between 263 and 290, the auditors of 10 were incorporated accountants, 12 were mixed firms combining

* Appendix A.

chartered and incorporated accountants, one was a mixed firm consisting of a chartered accountant and a member of the Central Association, and the qualifications of the remaining four firms cannot be traced.

There has been in the 19 intervening years between 1911 (when a Bill for Registration was before the House of Lords) and 1930 a very large growth in the membership of the Institute. It is now just over 9,000, and at the 31st December, 1910, it was between 4,000 and 5,000. The other Societies have also grown in membership; I think the figures are 7,436 in 1911 and at the end of last year, or the latest date when their publications were issued, 15,662. It was quite evident in 1911 that there would be attacks on the creation of a monopoly, had the Bill of that year been proceeded with. That was evidenced by remarks made in the House of Lords when the Bill received second reading, and also in the Press, both in London and the country, and I think it is not unreasonable to assume that the opposition to restriction or monopoly will be greater now, as more powerful interests may be affected. I would like to urge that effective discipline will be much more difficult now than it would have been in 1911, with such a very large number who may seek admission to a Register, as all the persons who may come on to that Register may not have the same aims and objects and ideals of right conduct as those belonging to the Institute.

As to the demand for registration, I would like to observe that I have seen myself no real public demand for it. Only within the last few days has it come to my knowledge that a circular letter was issued during this month by the Association of British Chambers of Commerce asking for the opinion of local Chambers on the question of registration. I do not know what were the contents of that communication. I do not know whether it defined registration, or who originated the movement, but let me, as an illustration, acquaint you with what has happened in the one case which has come before me; that was the Swansea Chamber of Commerce. They held a Council Meeting this month at which, out of the whole of their membership, 11 persons were present. Five of them were not accountants; six were, and, of the six, four were incorporated accountants, one is believed to belong to the Central Association of Accountants, and one was a chartered accountant who opposed the resolution. But I am quite unaware that any expression of opinion has yet been given by other bodies representing trading, commercial and financial interests, such as the Institute of Bankers, the Federation of British Industries, the Stock Exchange, the Baltic, Lloyds, the Insurance Institute and the Law Society.

Perhaps I may be allowed at this juncture to say that the Select Committee on Local Legislation did not confine their recommendations to a register of practising accountants only, but to all qualified members of the profession. I hope also that I may be allowed to mention that, so recently as October, 1927, in a lecture given by Mr. Walter Holman, a Fellow of the Society of Incorporated Accountants and Auditors, and a Member of the Council, he said: "While I am inclined to favour registration in theory, I think the difficulties of making it really effective are so great as to justify the opinion that registration is not a practical proposition." At the conclusion of that lecture, the Chairman, Mr. Casselton Elliott, now the Vice-president of the Society, used these words: "Registration is all very well, but I think you will find that the great majority of people who really desire registration are those who think they may possibly obtain some material benefit from it. If that is the sole object in view, then I do not think registration is good for anybody, because it will be simply protecting a few practitioners at the expense of the many. At the present time the public really knows what it wants. If it requires a well qualified Accountant it will go to an Incorporated or a Chartered Accountant."

I might, perhaps, usefully refer now to the question of restriction or monopoly. As far as I have been able to gather information, there is no country in Europe where there is a monopoly. There is no monopoly in Canada, New Zealand, or Australia. Take the United States of America: there are, as you know, 48 separate and theoretically sovereign States. Nine out of those 48 have attempted some form of restriction. But some person in the State of Oklahoma took a case to the Supreme Court of the United States, and I am informed that the decision of the Court was that restriction or monopoly in any of the States of the Union was unconstitutional. (*Chairman*): You are using "monopoly" in that sense. (*Witness*): Yes, restriction. The most important State in America for finance and business, and possibly for accountancy, is New York State and, when I was in America in October last, it was made abundantly clear that even the accountants in New York State did not favour restriction. Anybody is permitted to carry on his business there as a public practising accountant provided he describes himself as what he is, i.e., a certified public accountant, a chartered accountant, an incorporated accountant, or mersly an accountant. There is entire freedom to carry on provided they describe themselves truthfully. (*Chairman*): They must do that? (*Witness*): They must describe themselves as what they are. But a man can carry on business there and merely describe himself as an accountant and auditor and he has entire freedom to do so. In Canada, as I have said, there is no restriction. What happens there, in effect, is this: an English or Scotch chartered accountant going there, if he wishes to use the title "chartered accountant," must join one of the Canadian bodies. There has never been any difficulty in any of the States there in any member of the English or the Scotch bodies, on application, being admitted a member of a local Society, and then he may describe himself as a chartered accountant. (*Mr. Scott*): Is that without examination? (*Witness*): The local Societies take the English or Scotch examinations as being sufficient to entitle them to membership. There is no monopoly in New Zealand, as I have said, or in Australia; but in South Africa there are three bodies which have made a proviso prohibiting people from practising there who do not belong to their local Societies. There is the Transvaal Society, which numbers 327 ordinary members, apart from absentees; the Natal Society, which has 110 practising members and 57 non-practising members, making a total of 167; and there is the Rhodesian Society, which has 52 members in practice, 50 not in practice, making a total of 102, apart from absentees. "Absentees," for example, include myself. I am a member of one of those Societies because my firm carries on business there, but they put me down as an absentee. Perhaps it may not be necessary for me to deal with each European country. The fact is there is no monopoly or restriction throughout the Continent.

1. (*Chairman*): With regard to the statement you have handed in this morning, I think you stated that it showed the discrimination of the public?—Yes.

2. I presume you meant by that the discrimination of the public to employ firms whose qualifications they knew?—To employ firms or individuals whose qualifications were chartered accountants. You remember, I pointed out that, in the figure of 4,971, at the top of the page, 984 firms are included.

3. Yes. You referred at the beginning of your evidence to the change of attitude of the Institute with regard to registration. As you say there, the Institute in 1911 was in favour of registration?—Yes.

4. I understand your reasons for the change, if I may so call it, are that the number of the members of the Institute has largely increased?—Yes.

5. And that the status of the chartered accountant has improved?—It has become certainly very much more widely recognised.

6. The status of the chartered accountant?—I think it has. Since the War I feel confident that the status has got more into public favour than prior to the War.

7. The reasons for that being?—The greater use of the chartered accountant by the public and by Government Departments. Nineteen years have led to the title being much more familiar to the public and also to their work being very greatly widened. The profession has made great advances since 1911 in the class of work they do, its volume, and in the esteem of the public.

8. And those are the reasons for the change in view?—Yes; including too, as I pointed out just now, the great difficulty there would be in attempting to exercise disciplinary powers over such a vast number of people who might come on the Register. We already have a Disciplinary Committee at our Institute, and their work is not light.

9. You say that there has been a considerable growth in the accountants' bodies. Is the demand of the public then for qualified accountants fully met at the present moment? If I may put it this way: you say that there is a certain discrimination on the part of the public—can the public, using that discrimination, have a sufficient supply for their demand?—I have never heard of any want of supply. There are many accountants who do not belong to our body who do quite a large volume of work and, as I point out in my Memorandum, there are many institutions which do work that is of an accountancy nature. Take, for example, the Banks, who circularise their customers that they are ready to undertake the preparation of income tax accounts, and the recovery of overpaid tax, and there are also many other people who undertake Accountancy duties whose names I have set out in my Memorandum.

10. I presume that the original purpose of the Institute was to combine the accountants of certain qualifications together and, at the same time, to protect the public?—That was the idea in 1880, and I have not heard that there has been any general complaint on the part of the public of want of good service, by whomsoever given. There may be a few isolated cases where they may think they have not been helped as much as they would have expected; but those cases, as far as I know, are extremely rare.

11. You say that registration would, in the eyes of the public, who are not fully informed, convey an idea of equality of professional skill which would be far from the truth. Supposing you had registration, that might be so for the time being, but would not registration in time to come prevent the addition to the profession of persons who are not fully qualified?—It would take a very long time for that to be brought about. It has taken 50 years to get into the position we are now. And there must always, too, be differences in experience and in qualifications. Each surgeon is not of the same quality, each accountant is not of the same quality. I attach too, if I may say so, as I point out in my Memorandum, very great importance indeed to the practical training of an accountant in a public accountant's office, apart from the mere passing of examinations. A person with a good memory may pass examinations; he has not had any training in a public accountant's office, and he may, by passing those examinations, join Societies or Bodies other than the Chartered Accountants. But I look upon practical training with quite as much or more favour as I do merely acquiring book knowledge.

12. Anyone can hold himself out to the public and say he is practising as an accountant, at the present time, without compliance with any standard of professional skill?—Yes.

13. Does not this injure the small traders? Is there not some disadvantage to them under this system?—I should doubt it very much. It is a very rare thing indeed for a stranger to walk into an accountant's office and ask that accountant to undertake work. In my experience in the City, which is a very lengthy one, I can hardly recall a case where a stranger, without an introduction, has ever come to me. And a small trader is not likely to give work to a person whose name is merely known to him by seeing it on a brass plate. He would surely make enquiries of friends to see whether they had some knowledge of that person's qualifications.

14. A large number of these people without qualifications would hold themselves out as doing income tax work?—Take the illustration you mention now. A person may describe himself as an income tax specialist, he does not call himself an accountant; and if you had registration of accountants, would that necessarily mean that an income tax specialist would be prohibited from doing that class of work?

15. I presume that people do advertise themselves as accountant's who are not really doing accountancy work. Debt collectors and trade protection societies advertise as accountants, do they not?—Personally, I have seen very few advertisements of people who describe themselves as accountants; I do not say in some country districts they may not be noticeable now and again; but there are people, you know, who call themselves "Turf Accountants" and advertise.

16. Exactly. In your view, the public do not need protection from people who tout?—I think the public is sufficiently intelligent to discriminate.

17. Could you tell me this, with regard to qualications? Do the duties of articled clerks differ from those who are not articled?—They do get more attention in the office on the part of the principals and the managing clerks. Pains are taken to familiarise the articled clerk with the objects of the work which is given him to do, its purpose, its aim, the connection between the beginning and end of his duties; he gets tuition, in fact, from the managing clerk, and occasionally from the principal, as to his duties. They are working, as a rule, under managing clerks who are experienced accountants. For example, if I may quite modestly say this, in our own office in London, including Scotch chartered accountants, we have not less than 100 chartered accountants and they have clerks working with them who are quite competent accountants but not qualified, and articled clerks as well.

18. The premium in the case of chartered accountants depends largely on the standing of the firm concerned, does it not?—Yes.

19. And sometimes a salary is paid?—As far as I know, the fee in a chartered accountant's office of standing and repute would be probably from 250 guineas to 500 guineas for five years' service, and occasionally a salary is paid after the first six months and for the remaining period of the articles. That is our practice. We always like to encourage our articled clerks by giving them something. Whether that is general or not, I would not like to say, but I should think it is the rule rather than the exception. And when an articled clerk has finished his period of articles, whether it be three years as a University graduate or five as a non-graduate, he gets quite a reasonable salary from that day; it depends on his qualities, of course, and adaptability to work, and also on the evidence of his diligence, but it is usually about £250 a year, and then it rises, perhaps half-yearly, perhaps yearly, according to his ability.

20. I have seen suggestions that it might be possible to distinguish between auditors and accountants and to set up a Register of public auditors. Would that, in your view, be possible?—A Register of public auditors?

21. Yes.—That would mean confining the Register to people in practice.

22. Yes, and differentiating between auditors' and accountants' work?—I think it would be difficult to draw such a distinction.

23. You mean that the work would overlap?—Do you mean that the Register would be divided into two parts, those who are practising and whose qualifications entitle them to entry on the Register, and those who do accountancy work but do not fall into that category? Take, for example, Banks who do income tax work, Estate Agents who prepare accounts for their clients who may be landlords, Solicitors who prepare accounts of estates and set out what is due to the various beneficiaries, who make distinctions as between capital and revenue as affecting the remainder men. The income tax specialist I also refer to. It is very difficult to draw the line of demarcation as between public accountants and people who do accountancy work. They do not exactly hold themselves out to do accountancy work, but still they do it for their clients, and very largely, in many instances.

24. With regard to the income tax work, is it not in that class that you find, I was going to say unqualified people, but people of all descriptions doing the work, offering themselves to help people? I heard of a case the other day of a man who said he was an accountant; he had been doing income tax work. He was blind. He appeared before the Commissioners who refused to accept his figures because he had been unable to see them.—I should say that was quite an exception.

25. I should think that was one of the exceptional cases, but there are, are there not, people who have retired?—The retired Somerset House official or Inspector of Taxes who advertises himself as an income tax specialist and is prepared to submit accounts of traders cannot be called an incompetent person.

26. (*Mr. Walker Clark*): Provided that he has not been dismissed, I suppose?—Well, that again I hope is an exception.

27. (*Mr. Bellman*): In paragraph 14 of your Memorandum you quote the Bar as an instance where practical experience before admission to practise is required. I wonder whether that is altogether a safe analogy. There may be claims for registration, which this Committee will have to consider, from those for whom a period of service under articles in an accountant's office was impossible owing to financial and other personal considerations. In such instances, membership of your Institute being out of the question, men may have studied hard and qualified and become members of another accountant's body. Does it not appear that such types might perhaps more appropriately quote the analogy of the Barrister, for the Barrister has to serve no articles? I think it is not compulsory for a Barrister to read in Chambers. There are, I believe, many persons who are called to the Bar and entitled to practise, but who were then at the time they were called to the Bar, and possibly still are, engaged in some sort of lay occupation. Do you agree that there may be some thoroughly sound and excellent accountants who are precluded from membership of your Institute, but whose practical experience and ability entitle them to be recognised if a form of registration is provided?—I draw a distinction between a person who has merely passed examinations and one who, in addition to passing examinations, has had a really good practical experience in a public accountant's office. I think that is very important. Take the Barrister's analogy: I know that a very large number of people are called to the Bar who never intend to practise, but those who do practise as a rule read in the Chambers of a practising Barrister.

28. Then in paragraph 18 you refer to estate agents who undertake accounting work. My Lord Chairman has also referred to this type; those who are engaged, I think, mainly on income tax refund work. One notices instances of estate agents lacking accounting qualifications who advertise quite openly for accounting business. One must assume that such agents secure profitable business by advertising in this way, otherwise advertising on those lines would be discontinued. May we assume that you dislike such methods intensely and that you would like to see them eliminated?—I think an estate agent who advertises himself as such and as an accountant would not find very much difference in the cost of advertising by dropping out those two words "and accountant". He would still have his advertisement in as an estate agent, but I doubt very much indeed if in real life these people get any accountancy work worth talking about, unless it is some very small tradesman in the neighbourhood who happens to know the estate agent, and believes him to be an honest and fairly competent man who can do the small accountancy work which that trader needs. That trader might not be able to afford the fees of a person practising as an accountant with a staff and rent to pay whose work was purely accountancy, but if he knew that estate agent and, as I say, had confidence in him as to his reasonable capability and honesty, he might for a very moderate fee wish to use him, and I do not know that the trader is injured by it.

29. No. One can conceive a situation, however, in which a trader might be badly let down by incompetent people, by a person advertising for business in this way?—In life, as you know, everyone is not of equal competence whatever his apparent qualifications may be. I have often heard of patients being discontented with their doctors.

30. In paragraph 21, if I understand you aright, you also suggest that in any scheme for registration the standard and system of education and examination should be kept as high as in that of the Chartered bodies. Unless I misunderstand your reference here I imagine you would only propose to admit to registration, if registration is effected, those who could serve articles. This is what I assume you mean by the system of education?—I would not like to go so far as that, if registration were considered practicable. I do not want to prevent a man who cannot afford to pay for his articles getting into the profession. He would have to serve, however, at least, in my judgment, 5 years in a Public Accountant's Office, and before he could sit for any technical examination he would have to satisfy a competent Board or Council that he had a sufficient general education to justify his coming into the profession.

31. What I had in mind was, if one were to interpret that reference in your Memorandum literally, it would exclude from registration, for instance, Incorporated Accountants who had not served a period of articles, those who had merely passed the examination of the Society?—If registration came, I think it would be difficult; in fact, it would be unreasonable to exclude any Incorporated Accountant who was in practice.

32. In paragraph 21 again you estimate that any system of general registration must embrace from 25,000 to 30,000 persons, and you suggest that to maintain discipline and enforce professional etiquette among so large a number will be difficult, if not impossible. I have made inquiries and I understand there are now 41,900 names on the General Medical Register. Is there any reason that you can tell us why discipline and control, which the General Medical Council fairly successfully achieve, should be impossible in the profession of accountancy?—That is a very natural question for you to ask after having made those inquiries of the medical bodies. I have not done so myself. There is this difference, however. The medical bodies consist of people who have gone through a training in hospitals, passed examinations, and who are imbued with more or less the same ideals. When you dump many thousands of people on to a register who have not been accustomed to disciplinary measures, whosoever they are, and, I say this quite respectfully, unacquainted with the aims and ideals of an existing body like ours, I think there would be difficulty. I do not say this offensively; they are not quite in the same class to begin with at any rate, or of the same upbringing or accustomed to the same atmosphere, and their ideas of conduct might be quite different from those who belong to our body or to the Incorporated Society. I hope you will not misunderstand me. I do not say that at all disrespectfully.

33. I quite appreciate the difficulties we would have in the earlier years if registration were effected, but it

seems to me the problem ought not to be insuperable after a period of years has elapsed and things have more or less righted themselves. I take it that if a member of your Institute is disciplined for unprofessional conduct, he may still practise as an accountant although he may not use the designation "Chartered Accountant". Is not that a serious weakness in the present position?—I will tell you what my experience has been of that. When a man is suspended or excluded altogether and he ceases to be a chartered accountant, nearly all, if not all, of the audits of Companies he holds are taken from him.

34. (*Chairman*): By whom?—By his clients. It is such a punishment that it practically deprives that man of his ordinary livelihood. He may get a little work, but I should say it is extremely limited. It is so severe a punishment that we never inflict it unless the case is a strong one because we always regard the effect of it as practically depriving him of his livelihood.

35. (*Mr. Walker Clark*): 984 firms, according to the statement you have handed in,* audit the accounts of 4,971 limited companies?—Yes.

36. Many of those firms would be very large firms, of very high standing?—I think that is quite right.

37. And is it not a fact that, when a prospectus is issued, the letters "C.A." after the auditors are an enticement to the public to some extent to invest their money?—I would not like to say they are an enticement exactly. It has some influence.

38. And is not that to a very large extent a reason why such a very great proportion of public companies employ chartered accountants as their auditors?—I think they employ chartered accountants as auditors because the public have confidence in them.

39. I was not quite sure which it was. In the case of the actual audit of firms such as these, is not a great deal of the work done by articled clerks, or juniors very often?—No. When you say "work", that has several meanings. The important work on the audit is undertaken always by a qualified man such as a chartered accountant, or it may be an incorporated accountant. The vast volume of the detailed work, such as casting, checking, postings, is largely done by junior clerks under supervision.

40. The point I want to get is this. Is there any guarantee that a man who is a member of your Institute, a chartered accountant or a fully qualified accountant, does superintend and supervise the actual work done by articled clerks or juniors, or is there not sometimes a temptation to use cheap labour in the office?—I should say, unequivocally, no.

41. I am glad to hear that?—May I put it in this way as a supplement to that answer. It would be a very dangerous, as well as a very foolish, policy on the part of any chartered accountant who respected his name to put work into the hands of men merely because they received small pay.

42. What proportion of your membership comes under the Disciplinary Committee per annum?—(*Mr. William Cash*): Perhaps you would allow me to answer that, because I happen to be a Member of the Investigation Committee?—We get, on our Investigation Committee, perhaps anything from six to seven complaints a month, but a great many of those complaints turn out on investigation to be matters which are not pursued to a conclusion. The number of cases brought before the Committee per year that get beyond the Committee would be perhaps eight or ten.

43. Infinitesimal?—Very very small indeed, and of those the great bulk are for unprofessional conduct in the sense of touting for business, or alleged advertisement, or anything of that kind, rather than serious complaints such as fraud.

44. It is extremely small?—(*Sir William Plender*): The reason of it is this, I think: Our members generally are imbued with the ideals which we set out to fulfil when the Institute was formed.

45. I suppose it would be correct to say that accountants generally are used for three purposes; they are used between partners in a business, or for public purposes such as audit of public companies, or for income tax work?—Very much more than that. That is the main portion of their work, but, as you know, in reconstruction schemes, or readjustments of capital, investigations of alleged fraud, liquidations, receiverships, and in many other directions, accountants are now almost invariably used.

46. They are almost business doctors, are they not?—That is an expression I have seen used.

47. Would you suggest that for the small accounts of small traders it is necessary to pay the fee which a chartered accountant would charge for his work, small matters where there are only two partners who agree upon the figures themselves and submit them to an accountant for confirmation—division of profits, and so on?—That question is, if I may say so, rather general. If two partners carry on business together, and, as you say, they had agreed upon figures, and merely wanted the accountant to consider that agreement, it would be a question of his instructions as to the volume of work he was expected to do. If he were required to check every item in the books it might be a laborious task and his charge might not be inconsiderable because it would be based on time employed. But if it were merely a review of balances in the books and acquiring information from the two partners, the amount of work, limited as you have described, could probably be done in a few days and the fee then would be quite moderate.

48. Accounts submitted to the Inland Revenue for income tax purposes are, as you know, very rough in many cases. Would you suggest, if registration is adopted, that such accounts should be prepared, or at any rate signed, by a chartered accountant?—I would not go so far as that, because you immediately run up against the banks, and I think it is a very serious matter to suggest that that work which a department of the bank might be quite competent to do should be removed from them. You probably know that most of the banks send out pamphlets to their customers in which they lay great stress upon their willingness to undertake that work for their customers, and they do it to a very great extent indeed, and I would not like to suggest that they are not competent, at any rate, to do that class of income tax work. When it gets into the more difficult problems of a great Company, that is another matter, but with the ordinary customers of banks I should say that the officials of the bank are quite competent to prepare the statements correctly.

49. (*Chairman*): When the banks say that they are prepared to do income tax work, they do so, of course, in circulars which they send out privately to their customers, and I think that in those circulars they always say—at least, I know one bank which does—that they do not desire to compete with solicitors and accountants?—The banks show quite a correct attitude.

50. Do they compete very much?—They do compete, but I do not know that to any great extent we complain. If we have thought that a circular was of a general touting character then we have made representations, and our representations have not been unheeded by the banks.

51. (*Mr. Walker Clark*): In the paragraph of your memorandum to which Mr. Bellman has alluded before, paragraph 21, where you put hypothetically the possibility of registration, the standard and system of education and examination are strongly emphasised. Is it not a fact that quite a number of other organisations do not require experience and the passing of examinations in order to obtain recognition of competency?—I think the Institute

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of Chartered Accountants is the only body which makes it necessary for a person seeking admission not only to pass an examination, but also to serve his period of articles in a chartered accountant's office so as to get practical experience.

52. Do the Scotch?—The Scotch do. I am speaking, however, now of England.

53. (*Mr. Kenneth Lee*): Would you tell us in connection with the statement you handed in,* what proportion of accountancy work in England is done by chartered accountants in addition to the work of auditing?—I think that would be a very difficult question to answer.

54. I have seen a statement made that 95 per cent. in Scotland is done by chartered accountants?—My statement was got out to illustrate the discrimination of the public in selecting chartered accountants to do public companies' work. I am afraid I could not tell you the exact proportion of other work because, as you know, there are many private firms who employ accountants, for example, some of the discount and accepting houses; we act for many of them. There are large estate accounts kept by solicitors whose accounts are audited by chartered accountants, the great ground landlords of London and many of the landowners in the country; the liquidation of public companies, any amount of other accountancy work. I would not like to say that we, the chartered bodies, do the same percentage of such work as we do in audits but I should not be surprised if it were something like that proportion. I could not definitely say. Speaking from my own experience in the City, I know that a very large amount of work passing through Chartered Accountants' offices relates to public companies' work.

55. Do you think the percentage might be similar to that in Scotland—95 per cent.?—I could not say anything beyond that it might be. I would not like to pin myself to it. There is an immense amount of work for example done in chartered accountants' offices relating to trusts.

56. What would all those other thousands of accountants be doing who are not members of the chartered bodies?—There is a great deal of work in connection with trading and commercial concerns, not of great magnitude as regards size, but there is a vast number of private traders in the country who do employ accountants. In fact, other Accountants must be largely employed because there are so many of them who apparently earn a living.

57. To what extent, may I ask, are chartered accountants' employees members of these other institutions?—You mean the Incorporated, and the London Association and so on? We have got possibly a dozen Incorporated; I believe we have got two or three members of the other Societies. Whether they are the London or the Central I really do not know, but I know of two members of our staff who belong to one or other of those two bodies. They have been with us very many years, between 30 and 40 I believe.

58. Do you think it would be possible to have a Register which would show not the accountants to which people would have to go, but would just indicate the accountants who were qualified, so that people could see from a list the accountants who were regarded by the State as being competent?—I think the public already know who are competent without a Register, and my real fear is that, having a Register, you will raise the status of a number of people, who will go on to it merely by reason of being in practice.

59. (*Mr. Scott*): I take it, so far as the Chartered Societies are concerned, you do not think that there is any call for registration; that is to say, that your status has so developed during the past 50 years, and the public have got so well acquainted with your profession, that the Chartered Societies do not require any aid, such as registration, in connection with their duties as regards the public. In other words, you are satisfied that the letters "C.A." suffice without any additional thing such as registration?—That is my view.

60. Then is there not the point of view with regard to the public? At the present time there must be many people who have no idea of the status of those various bodies which during the past 30 or 40 years have gradually grown up, and, therefore, when they are asked by one of the members of one of those Societies to be allowed to audit their books they have no actual knowledge of the qualifications of those people and might be induced to employ them because of the smaller fee?—As I said before, I can hardly conceive it possible that a man in business into whose office a stranger walks and says "I am a member of this or that Society, may I audit your books for such and such a fee?"—I cannot conceive of such a trader who would treat that man leniently for, say, invading his premises without being invited. Nor can I understand his engaging him without making inquiries of friends or bankers or others, as to his fitness to do the work.

61. Yes. But surely there is a very pronounced difference in the qualifications, both educational and practical office qualifications, of the men who are members of your body and a number of men who are members of many of these other less known Societies?—That I entirely agree with.

62. We are all, I think, conversant and agree with what you have said about touting. It is a question of the protection of the public against other Societies which have grown up. The qualifications, educational or otherwise, the office training, I agree with you, are essential, and the public do require protection?—I am not really aware that there have been any complaints on the part of the public of inefficient service. This talk of protection of the public, as far as I know, has got no foundation in fact. Where is the evidence that is really tangible of the public having suffered?

63. Take, for instance, the audits which have been done by some of these Societies. Perhaps you yourself, Sir William, are not satisfied with these. My question is directed to the qualifications of the men who are members of those Societies. In other words, would it not be better, so far as the public is concerned, if, by registration, the Societies generally could be levelled up to a standard which you yourself would approve of? At present, you just allow them to carry on with any qualifications, educational or otherwise, which they may set down in their constitutions. One or two of those bodies maintain I understand that they have been trying to lever up their educational qualifications. Would it not be desirable to give them registration, putting them on the Register, provided they had such educational and other qualifications under their constitutions duly carried out; would it not be putting the accountancy profession on a higher level for the public?—If you create a Register and permit people to come on to that Register who had merely been in practice a certain number of years at the date when the Register became operative, I think you would probably bring in—in fact, I am sure you would bring in—a very large number of people who would receive a status they were not entitled to. When you are going to create a monopoly, you cannot close your eyes to existing practitioners, whatever their qualifications may be.

64. I think you said, in connection with the United States, that those parties who were outside the ordinary profession were entitled to carry on provided they put after their names their specific qualifications?—Yes.

65. That is to say, there is no actual monopoly in the United States?—I have no objection to a continuance of that here.

66. That is what I meant. If a man is a chartered accountant he describes himself as such, an incorporated accountant the same. I do not know what the

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the other bodies call themselves, whether it is certified accountants or corporate accountants or associated accountants—whatever they may be—let them call themselves what they are and if they do not belong to any of those bodies let them describe themselves as public accountants. The public can then see to what body they belong, and it is in their discretion to employ them or not ?—I am so afraid, and this is a real fear, that if a Register is set up and there are admitted to it, as I am sure will be the case, many thousands of people who are holding themselves out as being in practice, you will give them a status which they are not entitled to and you will raise their level in the public estimation, which they are not entitled to.

67. (*Mr. Walker Clark*): It will give them a status, although they are not qualified ?—Absolutely.

68. (*Mr. Scott*): Is it not possible to have a system of registration started under which, for instance, the members of your own body and other chartered bodies would automatically be entitled to call themselves registered ? You would not automatically put on people—it is not necessary to do so even under registration—who have simply been practising as accountants. They would continue to call themselves what they call themselves at present, but they would not be entitled to call themselves registered until whatever body was created to control registration was satisfied that they should be registered ?—Do I understand your point of view to be this, then, that a Register should be set up but that no monopoly should be created ?

69. Yes.—That anybody can still carry on business, if he chooses to do so, as a public accountant, although he is not on the Register ?

70. Yes.—Would that serve the purpose you have in view, namely, protecting the public ?

71. It would, gradually. That is to say, as regards any man who wanted to do the wider scope of accountancy. He, at any rate, must be under this registration, and he would not be registered until, by educational and other qualifications such as would be laid down by a Central Board, he had qualified himself for it. That is my point. Just one other question. I think you indicated that, in 1911, your members were roughly between 4,000 and 5,000, and now the Chartered Societies have a membership of, say, 9,000 ? —The Institute in England and Wales has 9,000. That does not cover the Scotch bodies.

72. Yes; I meant that. I am quoting your numbers with regard to the Chartered body here. At the same time, I think you said that, in 1929, the members of the outside bodies in England were 15,000 ?—Yes; that is the approximate figure.

73. I am merely taking a rough number. Is not that something like double what they were in 1911 ? —Yes.

74. Does not that indicate that there must be work of some kind for the members of the smaller bodies; otherwise they would not be there, they would not adopt the profession ?—It does not follow that those numbers represent accountants in practice. Far from that; a large number of those people are clerks in offices, not merely clerks in accountants' offices, but in hundreds of companies and municipal bodies, and so on. That does not represent the growth in practising accountants.

75. That is just my point. I think there is an element of danger with regard to the public. You yourself, for instance, do not even know the names of these bodies. Well, the general public cannot be expected to know their qualifications. If, for instance, we do not know all these different kinds of accountants, what is the poor member of the public to do ? The banker may tell him "I have your statement, but I want a proper Balance Sheet". He may go to his neighbour and ask him to draw it up. His neighbour may be one of those men who call themselves accountants and this that and the other. Is not there a danger to the public there ?—I think you would find in that case the bank would not receive a statement prepared by some unknown individual.

76. I am afraid that, in practice, banks do ?—My own experience of banks is that they are particular as to the accounts which are put before them and they want to know, at any rate, the name, if not the person who signs them. I do not think you need fear that the bank would be misled.

77. They would not be misled, but would the bank be satisfied with the Balance Sheet ?—What happens in real life is this, and I speak with some experience. The banker says to the tradesman: "I want Balance Sheets and Profit and Loss Accounts of your business, say, for the last three years". The tradesman, who has not employed an accountant, says: "To whom would you like me to go ?" Then the banker recommends him to somebody of repute. That is the practice. (*Mr. Scott*): I am afraid that does not altogether agree with my own experience.

78. (*Mr. Scurr*): Your point is that, in your view, registration would really convey a totally wrong impression to the public ?—My view is that it is unnecessary.

79. That it would really be held out by otherwise unqualified people as a qualification, and that it is unnecessary ?—I think it would raise the status of a good many people who are not entitled to that status, if registration included—and I think it would have to do, if a monopoly were created—a vast army of people who are practising as public accountants.

80. Your view is that the great and important concerns of the country know that the chartered and the other bodies fulfil everything that is necessary, and the consequence is that your Institute and the Incorporated Society practically get the bulk of the work, 99 per cent. ?—I think there is a great deal of work done which is not done either by our own members or by the Incorporated Society, not large work, probably, but still a good deal of work. I daresay many Accountants do it quite well; at any rate, they do it well enough to satisfy their clients, and, as I said before, I have not heard of complaints. I do not remember a case—there may be one or two exceptions—for years past where a trader has refused to pay the bill of an accountant he employed and an action has resulted. Such things are extraordinarily rare. And does not that itself show that dissatisfaction is not at all prevalent ?

81. You think the public are adequately protected at present ?—I think the public are sufficiently discriminating to look after themselves.

82. (*Mr. Wills*): In paragraph 11 of your Memorandum, you say "Registration would, in the eyes of "the public who are not fully informed, convey an "idea of equality in professional skill"—and I think the same idea occurs elsewhere in your Memorandum. Do you really go as far as that ? Take the case of doctors. They are all on the Medical Register. Do the public think they are all equally skilled ?—They are not all equally skilled, because individual experience and individual qualities always count, but the general impression that would be conveyed to the public would be that those who were on the Register possessed more or less equal qualifications.

83. Would it not rather suggest that there was some minimum of qualifications ?—Yes, I accept that.

84. And would there be no advantage in having a Register of Accountants, a Register of persons who possessed the same minimum qualifications in the accountancy profession ?—I do not think the Register would provide for that if, as I said just now, you had to include in it all persons who had been in practice a number of years when registration became operative, and I do not see how you could exclude them.

85. That is very difficult, I agree. Assuming registration is bound to come, the longer it is delayed the greater the problem becomes, does it not ? Assuming that registration had taken place a number of years ago, the number of people that would automatically have gone on the Register, merely because they were in practice, would have been very much smaller than now; and would it not be to the ultimate advantage to have a Register, even though at the outset you are bound to include persons not of the highest qualifications ?—I think it is quite problematical whether the Bill of 1911 would ever have become law. The attempt to have registration then would have met with most formidable opposition which, as I said to His Lordship earlier in the proceedings, was abundantly evident in Parliament and outside Parliament. The opposition would be still keener, still greater, now, and I doubt really whether registration is a practicable proposition. I also think, as I said before, that the penalty that would have to be paid for registration is too great now.

86. Might not the risk possibly be greater at some future period ?—I do not think so. I believe the public already realise what accountancy means, and they also are fully cognizant of the people who are competent to do accountancy work.

(*The Witness withdrew.*)

The Committee had before them the following Memorandum by Mr. William Cash, F.C.A.:—

MEMORANDUM No. 2.

1. I am a Past President of the Institute of Chartered Accountants in England and Wales, having been President in the years 1921–1922 and 1922–1923, and Vice-President in 1920–1921. I have been a Member of the Council since 1908. I am a Member of the following Committees:—

Examination Committee.

Investigation Committee.

General Purposes Committee.

Parliamentary and Law Committee.

I acted as Examiner some years ago. I have passed all examinations of the Institute, and was admitted a Member in 1889.

I have been concerned on behalf of the Institute in the Parliamentary proceedings on various Corporation Bills, and have also attended Conferences with the other Chartered Bodies and Incorporated Society, and was present at the meeting in Edinburgh in June, 1923.

2. *Registration.*—The President of the Board of Trade has appointed a Departmental Committee to enquire into this subject. The terms of reference are "to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled." This leads to the consideration of the question as to whether, if the Committee find it is desirable, it is in fact practicable to devise a scheme that is (*a*) fair and equitable, and (*b*) workable.

3. The terms of reference seem to contemplate a monopoly as the word "restrict" is used. I assume for the moment that this monopoly would relate to "practising public accountants," and taking each of these words I will deal with the difficulties which arise in connection with them.

4. *Practice.*—The Legislature would presumably have to define what constitutes "practice." Now the accountancy profession is very diverse and widespread, for example, the most important and largest branch of the work probably relates to auditing. This again may be split up into Public Companies, Private Companies, Friendly Societies, Building Societies and Partnerships. In Bankruptcy there are the appointments of Trustees in Bankruptcy and Trustees under Deeds of Arrangement. In Company work, there is Liquidation—(*a*) voluntary, and (*b*) under an Order of the Court; the appointment of a Receiver and Manager under the Court, and Receiverships for Debenture Holders or under the Conveyancing Act. Two alternatives seem to be open: to say that some or all of the above defined duties, the list of which is not, of course, exhaustive, should be performed only by a registered accountant, or to say that no one should practise as a public accountant unless registered.

5. The next word in the title is *Public*. Would "practising" as a "public" accountant be defined or limited to carrying on work or performing duties for reward, and could public accountancy be said to be carried on if the auditor or accountant were acting in a voluntary capacity and without reward ? Again there is the question of practising as an accountant by a man whose whole time was not given up to the accountancy profession. There are many persons who undertake audit work while their main occupation is as a servant or employee of other persons, e.g., bankers' clerks, accountants to commercial undertakings, etc.

6. The last word in the title is *Accountant*. This is extremely difficult to define; for example, there is the position of the book-keeper who in certain circumstances assists in writing up books, preparing a balance sheet from books already written up, or who deals merely with the division and allocation of profits in a private partnership. Is this to be forbidden or specifically exempt under any rules or regulations ? There is also work of another category undertaken by clerks and private individuals as well as by practising public accountants, such as accounts connected with executorships and administration matters, preparing and compiling figures for Probate, the periodical preparation of accounts for executors or trustees, often involving questions of the apportionment and allocation of receipts between the tenant for life and the remainderman. There is also the position of those persons who describe themselves in the London Telephone Directory as Turf Accountants.

7. Another very big branch of accountancy work is that in connection with Taxation. This work lies for the most part in the hands of accountants, but there are many people carrying on the business of Income Tax Experts, e.g., retired Inland Revenue officials, who prepare returns for Income Tax and/or Super Tax and claims for repayment of Income Tax involving the question of abatements and allowances. It is also a growing practice for banks to undertake such work for their customers.

8. As distinguished from a "Public" Accountant there is the lay auditor of whom there are quite a number who undertake audit duties in connection with public companies (e.g., The Prudential Insurance Company and The Great Western Railway Company and many public utility undertakings).

9. The Joint Stock Companies Act is now in operation with regard to many small traders who carry on business as limited companies with quite small issued capital and whose accounts in many instances are audited by persons who may be described as book-keepers but are not in the true sense public accountants.

10. If there is any attempt to restrict persons carrying on accountancy practice, questions for consideration will also arise with regard to :—

(*a*) Solicitors who to-day frequently prepare and render accounts in connection with executorship matters and other like accounts ;

(*b*) Bankers who publicly advertise that they will assist customers in the preparation of Income Tax returns ;

(*c*) Surveyors and estate agents who keep and render Estate Accounts ;

(*d*) Accountants to public companies who perform audit duties and honorary auditors of such undertakings as hospitals, charities, clubs, and public institutions.

11. *Qualifications.*—It will be necessary to define what qualifications shall admit to the Register. It is presumed that at first it will be necessary to admit all Accountants now "practising" and include therein members of the existing bodies who are in fact not practising but are fully qualified and at present hold appointments in the commercial world or in Government Departments.

A difficulty will obviously arise with regard to practising accountants who are not members of any existing body, and it seems impossible to determine what real test of suitability or qualification can be imposed. Presumably after a period of years admission will be only by examination, but unless a period of service under Articles or in an office is to be essential, obviously a great number of persons with a mere theoretical or professorial knowledge and without practical experience would become entitled to practise. So many questions of real difficulty in compilation and the audit of accounts arise daily that it is suggested that these persons if qualified only by examination and registration will be a danger and not a protection to the public.

12. *Examinations.*—As regards future examinations, these would have, it is assumed, to be conducted by a new Examination Board, in which case the question of subjects for examination would have to be determined. Would an Accountant with a small practice, say in Income Tax, have to be examined in such subjects as Company Law and Law relating to Friendly Societies and Building Societies, Bankruptcy, Liquidation and Receiverships ? As an alternative, the question of examination as at present conducted by existing bodies, whose standard probably varies considerably, would have to be considered. If, for example, the test imposed on Chartered Accountants is to be the standard, it will be very difficult for many book-keepers to attain the standard. The question will become one of either levelling up or levelling down the present standard, and if the existing bodies are to be allowed to continue with their examinations and tests, steps will have to be taken to see that there is a real equality of test, or alternatively it will have to be admitted that the tests vary, and in that event, no advantages will be gained over the present system of varying standards.

13. *Monopoly.*—If it is decided that legislation would not take the form of a monopoly, then there would be nothing to prevent new bodies being created with inferior standards outside the body of registered accountants. In 1880, when the Royal Charter was granted, it was hoped by uniting the then existing bodies that practising accountants other than those enrolled under the Charter would cease to exist, but this has not been the case.

If on the other hand a monopoly is created, the question would remain for decision as to whether existing bodies should continue. In that event, certain of those bodies would continue to enjoy their higher level of distinction and the public when employing accountants would discriminate, as they do to-day, between the qualifications existing and there will be no uniformity of qualification.

14. *Discipline.*—Registration must obviously involve the question of discipline. This might be left in the hands of the new registration body, or alternatively if the existing organisations remain, discipline would continue in their hands. The question of discipline would mainly arise in connection with touting or advertising and other conduct which is described in the Charter of the Institute as "discreditable." To-day the level or standard of discipline in the various bodies of Accountants is not uniform either at home or abroad. With regard to advertising the practice in the United States and in the Colonies is different to that ruling in England, and it is submitted that if the discipline is to be administered by a registration body, a further heavy burden and much work would be thrown upon them.

15. *Other Bodies.*—There are certain organisations whose position and status would have to be considered and/or safeguarded. As, for example, the Institute of Municipal Accountants and Treasurers ; Costs and Works Accountants ; Railway Accountants ; Accountants of Commercial Enterprises ; the Institute of Secretaries, etc., etc. Members of these bodies have, of course, considerable experience and knowledge in their own particular work. They have obviously considerable skill in book-keeping, but they have not as a rule experience in the wider branches of accountancy, as, for example, questions involving holding and subsidiary companies ; foreign and branch accounts ; the control of organisations ; protection against fraud, costing, etc.

16. *Other Professions.*—The question of registration has been dealt with so far as medicine and dentistry are concerned, but there are other professions or occupations where it has been considered and in the main found impracticable, as, for example, with regard to nursing, midwifery, architects, plumbers, etc.

With regard to Architects, which is a somewhat similar case, it would not appear to be practicable to prevent Municipal Engineers, Engineers to commercial undertakings, Surveyors and Estate Agents from acting in the capacity of Architects in the design and erection of buildings so as fully to protect practising Architects or the public.

17. *Reciprocity.*—There is one further and last matter of considerable importance which has also to be considered, and that is the question of reciprocity with other countries. At present, Members of the Institute of Chartered Accountants have facilities granted to them abroad. A great number of firms have branch offices on the Continent, in Paris, Brussels, Amsterdam, Berlin, Madrid, and other cities. In India, Ceylon and Australia there are a great number of offices, as well as in New York, Chicago, and most of the other American centres, also in Canada, the Argentine, Buenos Ayres, Egypt (Cairo), and so on. In the Colonies and in America, there are reciprocal arrangements. Also the practice of English Accountants extends to Ireland and many Accountants hold audit appointments in certain cities where they do not actually have an office.

It will have to be decided, therefore, whether, if a monopoly is granted in this country, it will preclude Continental or American Accountants from (*a*) opening an office here, or (*b*) conducting an audit or accountancy work in this country, or alternatively whether such Accountants would be permitted to practise here subject to their being registered. It would obviously be extremely difficult to prohibit, say, an American Accountant from conducting an audit here, or indeed, to ascertain the fact that he had done so, while if such exclusion of practise was in force the Colonies and other countries would take action to exclude English Accountants from practising abroad.

In conclusion, I hope I may be permitted to say that in my personal opinion, Registration of practising members of the Accountancy profession is not desirable. I attended the conference with the Scottish Chartered Accountants held in Edinburgh on the 22nd June, 1923, the Resolution then passed being quoted in the Memorandum by Sir William Plender. I concur in such Resolution, and in my opinion the practical difficulties in legislation are insurmountable, while I think the disadvantages of a Register which necessarily must include a large body of persons with limited qualifications would have the effect of levelling down the present high standard set up primarily by the Institute of Chartered Accountants, and as a result would not be desirable in the public interest or in the interest of the profession generally. Further, I think the public to-day are in a position of discriminating between the qualifications of the professional accountant they desire to employ for the particular work they desire to be done, and each year the respective qualifications of the various organisations are becoming better known.

10th March, 1930.

Mr. CASH examined.

(*Chairman*): We have your evidence before us, Mr. Cash. It is very clearly put here. I do not know whether you desire to add anything to it ?—Well, My Lord, Sir William Plender has covered the ground so fully that I do not think I ought to take up the time of the Committee in saying very much in addition, except that I should like to say one word with regard to the position on the Bill of 1911, rather to emphasize this point. I think, when it was said that the Institute of Chartered Accountants were in favour of that Bill, there was an idea at the time that it might put an end to all these questions of other Societies and other bodies, and that we might try and get one united body. I agree with Sir William Plender that, when one comes to look at what took place at the time, there would have been a considerable amount of opposition, and it is by no means sure that that Bill would have passed even in the form in which it was finally presented to the House of Lords. (*Chairman*) : You mean that, when the question of registration came to be considered, there were more difficulties than you anticipated at the time, in regard to the Bill ? (*The Witness*) : Yes. Of course, the position has changed so materially since. For instance, take this as an example. Whether it would have been necessary then, to use a common expression, to have swallowed a considerable number of members of outside bodies or not, to-day the position, as I am looking at it, from the point of view of the profession as distinct from the public, would be a much more serious matter. And even our own body was not unanimous in their views that they would have liked to have seen that Bill passed in 1911. Furthermore, as Sir William said, the practice of accountancy has grown so enormously. Take the very big question of taxation and the number of limited companies. In the list which Sir William has put in,* dealing with those companies, there are about 5,500 companies. Speaking from memory, there are nearly 10,000 public companies and there are 80,000 private companies, and I think that may be the answer to the question that one member of the Committee asked, as to what work these particular accountants are doing. There is a great mass of small work. As members of the Committee know, to-day one's grocer and one's ironmonger and so forth are all limited companies, and their accounts have to be audited by somebody, and they are done by men in the smaller branches. Those people may be perfectly competent to do that kind of work, and do it quite well in a number of instances. The other thing I would like to say in that connection is that, whereas there are cases of members of one or other of the bodies, or of members of no particular body, who are carrying on certain accountancy work and who have been found fault with, it is not clear that registration is going to help that particular question. There will be cases, undoubtedly, in which, although there may be cause for complaint, and particularly with regard to income tax work, registration will enable those people, as I understand the proposition, to still continue to act as so-called income tax specialists without infringing any provision of the legislature as to the practice of accountancy. In other words, a man could still practise as an income tax specialist provided he does not call himself an accountant. With regard to the questions put to Sir William by Mr. Scott as to a sort of limited registration, there, with the greatest possible respect to him, it seems to me if you are merely going to take the existing Societies and say they shall qualify for registration and attach to them the label of Registered Accountant, you are not even then going to settle the matter, because those people will still remain members of their particular societies, and if *ipso facto* they are to come in for registration, you will be no further forward than when you started, unless you go a step further and say that only those particular people shall be allowed to practise at all. Then, if I may deal with one matter which has been stressed by one or two other Members of the Committee, the illustration of the doctors : it must be remembered that every doctor has been through a hospital, that is to say he has had experience, and every doctor has passed an examination. That seems to me a little different from the position, taking the accountancy profession as a whole, to-day. There are a considerable number of members of those outside bodies who have not really had that experience. Sir William referred to the London Association. I think I am right in saying that two-thirds of the members of the London Association are not in practice at all. The proportion is very high.

87. (*Chairman*) : When you say "not in practice," what exactly do you mean ?—They hold positions, for instance, as clerks to other accountants, or they may hold positions, responsible positions, no doubt, in limited companies and so forth as Secretary and Accountant : I mean not in practice as a public accountant.

88. That is really the answer I wanted to get. They are experienced ?—They may have experience. Undoubtedly.

89. A great many of those men would have valuable experience ?—Yes ; of course, experience limited to their particular environment, if one may say so. That is to say, you may have a man who may be a very experienced book-keeper and can keep the accounts of a particular company very well, but he knows very little about other business generally, for instance, bankruptcy, and so forth. Mr. Colville has just given me an extract, which I will quote, from the proceedings of the House of Commons Committee on the Cardiff Corporation Bill last week : Mr. Latham, Secretary of the London Association, was being examined : "Counsel : I think your present membership to the end of the year, 2,894, includes 780 Fellows and 2,144 Associates ?" (He is referring to his own Society, the London Association.) "Answer: That is so. Question : Of those, how many are in public practice ? Answer : 32 per cent." So I was about right in what I said ; two-thirds are not in practice as public accountants.

90. As public accountants ?—Yes. Then if I may just take up one more moment. It does seem to me—Sir William put it better than I can—that the effect of registration is really in one sense a levelling down of the qualification of the profession as a whole. That is to say, if all these people are to be treated as of equivalent value, especially those whose experience and training may be limited, that is going to bring down the whole level of the profession rather than raise it, and if, in future, registration is to carry with it a test of qualification by examination only, I do venture to think there, although you will protect

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the man who is in practice to-day, you may be inflicting a considerable hardship if you set a very high level, because you are going to ask men who are quite competent to do what I may term the smaller, less important work, to pass a very stiff examination in a great number of subjects which very likely they will never actually require in practice; and while from the point of view of the existing practitioners that would put all the business into their hands, I am not quite sure that that is a fair thing to do, because, as was said in the Irish proceedings, there are small traders and people whose accounts to-day are examined by the village schoolmaster, if I may use that example, who may desire to continue that arrangement and not be driven into the hands of a professional charging substantial fees.

91. You were dealing with figures just now, were you not? In the Institute I see that out of 9,047 members at least 4,120 are in practice—practically half?—Yes, I have no doubt your Lordship has got the correct figures. I think Mr. Colville gives the figures, does he not?

92. Yes, Mr. Colville gives the figures. The membership was 9,047, of whom 4,120 were Fellows and Associates practising in England or Wales. 3,600 were not in practice?—That is right; that is to say, even in our own Institute, as the Committee no doubt know, there are a great many chartered accountants holding important positions as accountants or secretaries of big undertakings, but, of course, every one of those has been through an accountant's office and had his experience and has also passed his examinations, and of those who are not in practice you get a very considerable number, as Sir William quoted, who, although not practising on their own account, are practising in that sense.

93. In the first paragraph of your Memorandum you say that you have been concerned on behalf of the Institute in the Parliamentary proceedings on various Corporation Bills—of course, largely before the Local Legislation Committee. At the conclusion of the proceedings before the Local Legislation Committee on the Chester Corporation Bill the Chairman said: "Those who are on the Committee will have some difficulty with a clause like this unless something is done by the accounting world, and we, therefore, ask the accounting world to take note of our observations". I do not know if you have any suggestion to make as to how that might be dealt with except by registration?—This matter has been discussed again during the current week on the Cardiff Bill, and I daresay your Committee will be aware that that Committee have finally decided to include the London Association along with the Chartered and Incorporated bodies, and I imagine, though, of course, one does not know, that that Committee were rather proceeding on the lines suggested by Sir William Middlebrook when he was Chairman of the Local Legislation Committee some years ago, when he said: "At the moment we propose to limit these particular appointments to the Chartered and Incorporated bodies until such time as some other body can prove to us that they ought properly to be added"; and there the matter at the moment rests. The alternative would be as was discussed, I think, in the Cardiff proceedings at the beginning of the week, to use some general term, and say that there should be no discrimination in favour of the Chartered and Incorporated bodies and the Corporations might be entitled to employ a professional Public Accountant. That was another suggestion apart from registration, leaving the way open to the Cardiff Corporation to select somebody who they thought was fully qualified. They would not be debarred from appointing any person they thought was competent, although I think I ought in fairness to say the Cardiff Corporation did not like that. They said no, that was throwing the doors open rather too wide.

94. (*Mr. Walter Clark*): Was there not an objection by the Ministry of Health?—I do not know that that was put forward. Of course, there was a suggestion that the clause should follow the Model Bill of the House of Lords dealing with Gas and Water Companies, where there is what is termed a Special Purposes Fund, and that the auditor who has to act in regard to that Fund must be a Chartered or Incorporated Accountant or an auditor appointed by the Board of Trade, but I understand the Board of Trade are not particularly anxious to have that duty thrust upon them, or the Ministry of Health either.

95. (*Mr. Wills*): Perhaps I might interpose. As a matter of fact, the Board of Trade have objected quite recently to such a clause in other than Gas and Water Bills?—Yes. I think the Board of Trade have accepted the clause in Gas and Water Bills.

96. These are rather in an exceptional position?—But I think I am right in saying the Board are not particularly anxious to act.

97. It is the duty of approving, rather than appointing?—Yes, approving, if you please. That is the right way to put it.

98. (*Chairman*): With regard to income tax work there is one question I want to ask. In the Income Tax Act of 1918, it says, in Section 137, subsection 3 (*c*): "'Accountant' means a person who has been admitted a member of an incorporated society of accountants". Does that lead to societies being formed for that purpose, societies springing up in order to meet that demand?—I think Mr. Colville can answer that better than I can, because he knows what discussions there have been on that particular clause. Of course, the clause is so wide that it practically includes anybody who is a member of any society. When you use the word "incorporated", of course, "incorporated" may be taken to mean incorporated under an Act of Parliament—a limited company, in other words. (*Mr. Colville*): Yes, that had a very great effect on these companies. The London Association, I think I am correct in saying, very nearly came into existence on the strength of the similar provision in the Revenue Act, 1903.

99. To meet it?—To meet it. It freely advertised, and so did one or two other of these companies: "Join our body; if you do so you will be entitled to plead before the Income Tax Commissioners". I have seen an advertisement myself to that effect. May I hand it in? There is an inset in red ink on that document, you see; in the middle of the page. (Chairman quoting from the document handed in): "The Faculty of Auditors is an incorporated society of accountants complying with Section 137 (3) of the Income Tax Act of 1918, and its members are entitled to plead before the Income Tax Commissioners".

100. (*Chairman*): That is the foundation of a Society to meet the sub-section in the Act?—It undoubtedly was at that time.

101. (*Mr. Bellman*): In paragraph 14 of your Memorandum you comment on the fact that the standard of discipline in the various bodies of accountants is not uniform. May we take it that you would agree that uniformity is desirable, and that in particular it is, to say the least of it, a little unfortunate that an accountant disciplined either by the Chartered or Incorporated body should be allowed to practise as an Accountant after expulsion from the Institute or Society?—(*Mr. Cash*): Yes I would confirm what Sir William said; we do exercise that power with great reluctance and great care, and I think that expulsion practically ruins a man or destroys his practice if he is turned out of one of the important bodies.

102. In the second place you submit that, "if the discipline is to be administered by a registration body, a further heavy burden and much work would be thrown upon them." Sir William has told us this morning in answer to an inquiry that he thinks only about 8 to 10 serious cases arise annually in your own Institute, that is to say, cases which get through on representation to the Council. Is one to infer from Sir William's answer, taken conjointly with your Memorandum, that you anticipate that there will be a great need for discipline in the Institutions other than the Chartered bodies?—We get continual complaints from our members that in certain parts, particularly in the Provinces, there is a great deal of advertising and touting by these outside persons, and I am bound to say to that extent, as our members think that should be obliterated or put a stop to completely, there is something to be said on that ground for registration—which is rather the point you are making. But, on the other side of the question, as to the amount of work that would be involved in exercising this discipline, I am quite sure that at the beginning at all events it would be very considerable indeed. We are extremely strict with regard to advertising. We will not even allow our members to have their names printed in heavy type in the Telephone Directory or to advertise in any shape or form in a newspaper. We know some of the other bodies—I do not want to go into details—are nothing like as strict.

103. (*Chairman*): The heavier your work in that respect the greater the protection to the public?—Well, the smaller the amount of advertising the greater the protection of the existing practitioners. I do not think the public are damnified. It is on the same lines as the Stock Exchange, where no London stockbroker is allowed to advertise.

104. (*Mr. Branson*): Does your Investigation Committee receive complaints from the public as opposed to complaints from members?—Yes.

105. Do you get from the public complaints against persons who are not members of your Institute?—No; we get complaints from our members sometimes objecting to their methods of practice but, of course, we have no power to investigate complaints about other people.

106. The public appears to know pretty well whom you can discipline and whom you cannot?—Yes.

107. (*Mr. Walker Clark*): Do you admit women who have passed the examination, and do you allow them to be articled?—Yes.

108. There is no sex disqualification?—No. The Secretary reminds me, of course, that is effected by means of general legislation. (*Mr. Colville*): The Sex Disqualification (Removal) Act.

109. (*Mr. Walker Clark*): It would not compel you to receive them?—(*Mr. Cash*). I think Mr. Colville would say that it does. However, the answer is that we do admit women.

110. Would registration mean a fixed scale of fees, a fixed scale of remuneration?—Oh, no, I do not think so at all.

111. It would not?—No. Of course, the charges of accountants in certain particulars are fixed—in proceedings before the Court where the accounts for remuneration have to be passed by an appropriate legal authority.

112. (*Chairman*): Do they vary very much in other ways?—Yes. For instance, if you were going to employ Sir William Plender you would have to pay him a great deal more than if you employed me.

113. (*Mr. Walker Clark*): Is there any attempt by your Society to fix a minimum scale of fees?—No, not by the Institute officially.

114. You have two classes of members, Fellows and Associates?—Yes.

115. Could there not be a third class created by registration besides Fellows and Associates?—We have a distinction between members in practice and members not in practice.

116. Could there not be a third class of qualification?—I am afraid I do not quite understand.

117. A Fellow is a member of a certain number of years' standing?—Five years in practice.

118. His 5 years in practice have given him a status in addition to the fact that he is a Fellow?—In addition to the fact that he is a member?

119. Yes, in addition to the fact that he is a member. Could not there be a third class in which you could put a man who is not qualified either by experience or articles, and yet can practise as an accountant?—I should have thought it would have been extremely difficult actually to define a class of that character, if you are to say that he is not in practice and has not been examined.

120. He is in practice, but has not passed an examination?—Then it seems to me you are rather, if I may venture to say so, attempting to perpetuate the present differentiation between the different societies and their rules. In other words, if you are merely going to attach the label of registration to the particular series of classes, some of whom have passed examinations, some of whom have served articles, some of whom have been in practice, I should have thought it made the position more difficult even than it is to-day.

121. And it would not meet with your approval?—No.

122. (*Mr. Scott*): May I take it that as regards registration the Chartered bodies, as I have said to Sir William Plender, would rather not have such a thing introduced because they think that it would transfer some of the well deserved prestige of the Chartered bodies to bodies which had no claim to it?—Yes, it would raise the level of those persons whom we respectfully suggest have no claim.

123. That is your view?—Yes, that is my view. But I want to add this, that, of course, the Chartered bodies in saying that from their own point of view, do not desire to disregard the fact that the public is the all important factor. The whole situation *vis-à-vis* the public must, I think, come first.

124. Yes. Still you agree that the Chartered bodies in England and Scotland—I know it applies to Scotland and the same no doubt applies to England—at present do overwhelmingly the largest amount of accountancy work in its full scope. The question of registration only affects the accountancy profession in a comparatively small way?—Yes.

125. And it would be a very serious matter if anything were done by way of registration to transfer, as I say, this prestige to some of these other bodies at any rate?—I agree.

126. You agree that?—Yes; and, of course, in Scotland, as you said just now, the chartered bodies there are almost paramount. They do not have to anything like the extent we have here—I was going to say the competition of those smaller bodies.

127. No, they are in a smaller country, and the Chartered body was established so long ago in Edinburgh to begin with that the public are quite well aware of its exceptional status?—And, of course, in Scotland their qualifications have always been particularly high, in their examinations.

128. That is what I mean. I take it you still have in England this system of only two articled clerks being allowed?—To each partner.

129. Has that had any appreciable effect upon the number of entrants to the profession?—No, I think if you look at Mr. Colville's figures where he sets out the numbers of applicants and the numbers of examinees—and all those examinees of course, must be articled clerks—the numbers entering the Chartered profession are very high, and I think there is quite an adequate supply of men.

130. Then, how do you account for this rapid increase in the numbers of those other bodies outside the Chartered bodies?—There is a variety of reasons. Partly it may be there is a certain type of man who is not in a position to work for five years and pay a premium—that has some influence on it—and partly

the growth of this smaller class of work, such as Income Tax work, accounts of small traders and so forth. Also, as an example, I think, in the proceedings on one of the Bills in the House of Commons a witness put in the Chair on behalf of one of these other bodies was asked: "Why did you join this particular body?" He quite candidly replied: "In the hope of registration some day."

131. Then you admit to a certain extent that there is an exclusiveness about the Chartered body in the sense that it is not everyone who can pay these premiums?—Quite. And personally—I am now on the ground of public policy—that seems one more difficulty with regard to registration. If you are going to say that hereafter no one shall carry on the business of a public professional accountant—however you may define it—except a man who is registered and who can pass these examinations and so forth, are you not going to inflict some hardship on comparatively poor men who may have some qualification and may be quite entitled to carry on in a limited sense the profession of accountancy?

132. Do you not think, as far as registration is concerned, you can allow the position to remain? That is to say, a man can qualify for registration if he likes?—Yes, but he has got to qualify for registration either by passing the examination of a new Registration Board or by passing the existing examination on the level of the existing bodies. In either event you are going to put him to a far more severe test, and if he is merely to be qualified by examination without experience, are you assisting the public?

133. Would it not be competent to have men certified as qualified for registration, provided they had gone through a certain standard of educational training and also office training, to satisfy that examining Board?—Then if you are going to do that, surely you will be practically bringing up the whole profession to the level of the best.

134. That is what I intend?—If you do that, and at the same time create a monopoly, are you not going to interfere with the living of a certain number of people who are quite entitled and ought to be allowed to carry on.

135. You would not interfere. You just allow things to go on, but if any ambitious young man who cannot, say, afford to pay a premium to a chartered accountant—take one of those other bodies, some of them with very large membership and apparently a very severe examination—supposing he joined that body and said: "I want to qualify for registration." Is there any reason why we should not level up the whole accountancy profession? It would not do you, the Chartered bodies, any harm, would it, that you were also entitled to call yourselves registered?—It would not do us any harm that we were entitled to call ourselves registered, but we should very much urge on this Committee the right to continue our title of Chartered Accountant, and if the Committee concede that then you have still got the differentiation between the various bodies now existing as you had before registration was enforced.

136. Yes. You agree that, in the same way as in the legal profession, you may have differentiation between the qualification of members according to the degrees they hold, so in accountancy you would have the differentiation. Naturally most men would prefer to be "C.A." and others would say, "I cannot; my circumstances do not allow me." Is it not a hardship that you should not allow these men to be put under a test and undergo experience to enable them to become fully qualified accountants, although not Chartered Accountants?—With great respect, would you really be advancing the position very much unless you have in mind that, having become members of those Societies already, they should then submit themselves to a fresh test under a Registration Board?

137. Yes. My point is, if you allow the thing to remain as it is without any protection at all—we have had so many societies formed, some of them with a very limited scope of operations—you may have an indefinite number in the next few years?—Assuming that the position you have just outlined were carried out, and assuming registration in those terms, then what is going to prevent any body of men forming another society in the very next year after you have passed your Act of Parliament?

138. If you had them all coming in with the proper qualifications there would not be any reason?—Would there not be? Take the position in 1880 which is disclosed in this Charter granted 50 years ago. It was hoped then that we were going to have a closed body. You will see there were particular bodies to whom Her Majesty granted this Charter which was intended to bring the profession under one head. That failed because immediately, or very shortly afterwards, other bodies were started. Therefore, it seems to me you are driven to the question of either invoking a monopoly or continuing with an additional label under the existing situation.

139. Is it not possible that many of those other societies were formed simply because the conditions were too difficult for people to enter the Chartered bodies, whether because of the premium or otherwise?—Undoubtedly.

140. And they formed these other societies, and many of them apparently are carrying on quite a substantial amount of business?—Oh, yes, that is so.

141. Is it not desirable that we should have for the public's sake the level of education and general efficiency brought up to a certain standard, and that could be accomplished by a Registration Board?—I would like to think that out, because it is put in perhaps a rather novel form to me. Personally, I should have thought that unless you are going to enforce it by monopoly you are still going to have persons practising who are not fully qualified and against whom the public would require just the same protection as it is alleged they require to-day.

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143. (*Mr. Wills*): Do you think it would be possible to have a register of persons engaged in audit work as distinct from other classes of accountancy work, people whom one might call watchdogs, the distinction between the accountants employed in the office permanently by a company and the auditors appointed at the general meeting?—Have you in mind that the accounts of all limited companies registered under the 1929 Act should be audited by registered accountants?

144. I am not suggesting how it should be done; that would lead to private companies having to appoint auditors from the Register.—That would be a difficulty it seems to me, because of the enormous number of small companies. You have to-day, Building Societies one of whose auditors must be a professional accountant.

145. (*Mr. Bellman*): No; a public accountant.—A practising public accountant; you have that limitation. You have the Friendly Societies; you can understand that; and then you have to define what you mean by a professional public accountant.

146. It is rather a special class of work, is it not?—A very important class of work.

147. (*Mr. Wills*): If we were talking about the public interest, it is possible that this is the class of work in which the public are mainly interested and, therefore, require protection?—I rather agree with what Sir William just said, that in the great bulk of accountancy work the public do differentiate and they differentiate by selection, having regard to the qualification.

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The Charter further provided that persons who at that date had been continuously three years in practice or five years continuously in service or five years in practice and service combined should be admitted to Membership.

2. Subject to the above, to admissions authorised under Section 12 of the Charter† and to a provision which was in existence for a few years under which Public Accountants who had been ten years in practice could be admitted to Membership (either with or without passing the Final Examination) all persons admitted to Membership since 1880 have been required to pass the Preliminary Examination (unless entitled to exemption on the ground of passing some public education examination) to serve under Articles for five years (three years in the case of a University Graduate) and to pass the Intermediate and Final Examinations. Those in continuous service since 1882, could join on passing the Final Examination.

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Having served his Articles and passed these Examinations, an Articled Clerk is, subject to his being a fit and proper person in character, entitled to admission to the Institute.

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* Not reproduced.
† Appendix B.
** Appendix C.

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(*c*) *The Final Examination.*

Before applying to be admitted a Member of the Institute, Articled Clerks must pass this Examination, for which they may not present themselves until a period of two years has elapsed since passing the Intermediate Examination (in the case of Graduates of a University who have been articled for three years, a period of one year).

The examination consists of the following subjects: (i) Advanced Book-keeping and Accountancy, including Costing and Taxation (First Paper); (ii) Advanced Book-keeping and Accountancy, including Costing and Taxation (Second Paper); (iii) Auditing; (iv) Partnership and Executorship Law and Accounts, including the Rights and Duties of Executors, Trustees and Receivers; (v) Bankruptcy and Company Law, including Rights and Duties of Liquidators, Receivers in Bankruptcy and under Deeds of Arrangement; (vi) The Principles of Mercantile Law, and of the Law of Arbitrations and Awards; (vii) in addition to the above subjects, candidates are required to take as an additional subject either—(1) Economics, (2) Banking, Currency and Foreign Exchanges, or (3) Actuarial Science.

I produce copies of the questions set at the last Preliminary, Intermediate and Final Examinations* and a syllabus showing their scope.*

Having served his Articles and passed these Examinations, an Articled Clerk is, subject to his being a fit and proper person in character, entitled to admission to the Institute.

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* Not reproduced.
† Appendix B.
** Appendix C.

* Not reproduced.

8. The Institute was incorporated with a view to the education and supervision of a class of accountants known as " Public Accountants " who are in business in a similar way to Solicitors and who hold themselves out as ready and willing to do Accountancy work for fees, as entirely distinct from those who call themselves " Accountants " (but who would be more properly described as " Book-keepers ") and who being in the permanent employment of mercantile firms and Public Companies at a salary keep the accounts of those companies only.

The following is a definition I have seen of the expression " Public Accountant " :—

A public accountant is a person skilled in the affairs of commerce and finance and particularly in the accounts relating thereto, who either on behalf of himself or others places his services at the disposal of the public for remuneration, and maintains an office or place at which his services may be engaged, and whose time, during the ordinary hours of business is not entirely under the control of any one individual, firm or corporation.

9. Many members of the Institute after admission accept posts in large Statutory and Commercial undertakings where they act as Accountants or Secretaries, but their duties in these positions are much more important than those of Book-keeper.

10. The duties undertaken by Public Accountants are numerous and their functions of increasing importance. Chiefly may be mentioned Liquidatorships, Receiverships, Trusteeships in Bankruptcy or under arrangements with creditors, etc., and more particularly the auditing of the accounts of Statutory Companies, Limited Liability Companies, both public and private, the audit and preparation of business, legal and private accounts, and many other matters.

11. A few years since, the appointments of Public Auditors under the Industrial and Friendly Societies Acts were limited to those who were Chartered or Incorporated Accountants, and in his Report for the year 1926 the Registrar of Friendly Societies stated that this restriction in appointment was then proving very satisfactory.

12. In the majority of cases premiums are paid by Clerks who wish to serve under Articles. The amount varies with the class of office in which they wish to serve and is a matter of arrangement with the employer It may or may not provide for payment of salary, but since the War, a substantial salary has generally been paid. A capable clerk is very frequently given Articles of Clerkship by his employer free of expense.

13. Under the Bye-Laws of the Institute no Member may have in his service at the same time more than two Articled Clerks and on the 31st December, 1929, 3,747 clerks were serving under Articles to Members of the Institute.

14. I produce a statement showing the results of the Preliminary, Intermediate and Final Examinations for the years 1919 to 1929.*

15. The number of persons who either through exemption from the Preliminary Examination or by passing that Examination, became eligible to serve under Articles during each of the last five years are as follows :—

	1925	1926	1927	1928	1929
Passed Preliminary	365	360	381	342	325
Exempt from Preliminary ...	428	447	489	518	551
Total ...	793	807	870	860	876

16. The following are the numbers of graduates included in the exemptions granted during each of the last five years respectively, and who consequently become entitled to serve the reduced period of three years :—

1925	51
1926	49
1927	47
1928	64
1929	53

17. Commencing in 1893, Bills proposing Registration of Accountants were from time to time promoted by the Institute and Society of Incorporated Accountants and Auditors, but these bills made no progress until a joint Bill promoted by the Institute and Society and approved by the Members of the Institute at their Annual Meeting, was introduced into the House of Lords in 1909. As a result of objections from various quarters and especially by Lord Saltoun on behalf of the Scottish Chartered Societies, it was dropped.

18. In 1911, the Institute and Society in conjunction with the Scottish and Irish Chartered Societies introduced a Registration Bill in the House of Lords where, with the support of the Government it was read a second time. A proposal was made to the House of Commons that the Bill should be referred to a Joint Committee of both Houses for consideration in detail. This proposal was blocked in the House of Commons by Sir Frederick Banbury, objections having been raised that the Bill did not provide for the admission of women to the Register, that Members of the Society of Municipal Treasurers and Accountants (who are whole-time employees of Municipal Corporations and who do not publicly practise) were not included, and that such persons as the Accountant Officers of Railway Companies and similar bodies would not be placed on the Register. It was of course impossible to include such persons in a Bill which purported to be a Bill for the Registration of Practising Professional Accountants, and no further progress was made, nor in the circumstances was it thought worth while proceeding further with it in subsequent Sessions.

19. Beginning in 1914, claims for recognition as bodies whose members were qualified to undertake the audit of the accounts of Corporations and Statutory Public Utility Companies have been made to Parliament by the London Association of Accountants Limited, the Central Association of Accountants Limited, and the Corporation of Accountants Limited, three bodies incorporated under the Limited Liability Company Law, and the subject has been dealt with by Parliament in six Bills. The Institute and Society jointly opposed the petitions of these bodies in Committee and were successful in preventing recognition on each occasion. The ground of opposition was that the Companies referred to had been largely admitting to membership persons who had had no practical experience of the work of a Public Accountant and a very small percentage of whom had ever passed an examination on admission to their respective bodies. The fact, however, that these contests between professional bodies had to take place on Bills promoted by ratepayers, who really had no interest in these professional questions but had to bear its expense, caused strong comment on the subject to be made by the Chairman of the two sections of the Local Legislation Committee of the House of Commons in 1928 and 1929, and as a means of avoiding further litigation, the question of establishing a Register has been suggested.

20. In the course of these Parliamentary enquiries, I have had to make detailed investigation into the membership and methods of admission of the Members of the London Association of Accountants Limited, the Central Association of Accountants Limited and the Corporation of Accountants Limited, and while no doubt a certain number of the Members of all three bodies are publicly practising as Accountants, there can be no question but that the majority of their members have not passed any examination or had practical experience in the work of a Public Accountant or are in fact practising as Public Accountants at all.

* Appendix D.

21. In the Gloucester Corporation Bill before a House of Lords Committee in 1927 where the Petition was by the Central Association of Accountants Limited, it was alleged and no figure could be suggested by the Association to prove otherwise, that only 37 Members out of a total of over 800 had been admitted to the Association after examination.

22. In 1914, similar figures were proved with regard to the London Association of Accountants Limited ; and in the Bolton Corporation Bill in 1920, the number of its members who had passed examinations was so few that when the appearances before the Committee were entered, the Association who had briefed Counsel to appear on their behalf withdrew presumably for this reason.

23. In 1929, when the London Association and the Corporation of Accountants petitioned in the Chester Corporation Bill, it was stated that in 1920 (that is, after the Bolton Corporation Bill) the London Association had introduced a system of examination so that it was not possible for anyone to be admitted to membership without passing its Final Examination ; yet at that date the Secretary of the Association gave evidence that 58 per cent. only of the present membership had passed the Final Examination.

24. With regard to the Corporation of Accountants Limited, this body appeared on petition in the Stoke-on-Trent Bill in 1928, when their Counsel withdrew with the statement that the Association had only that year closed the door to admission otherwise than by examination and that they realised that they had not in fact reached quite the same status that the London Association had. The Corporation again petitioned in the Chester Corporation Bill in 1929 but withdrew a few hours before the Bill came before Committee.

25. In the published lists of the Corporation of Accountants and the London Association are to be found the names of a considerable number of persons who have been articled in the past to Members of the Institute, but who were not able to proceed to membership owing to being unable, some after many attempts, to pass its examinations. In the case of the London Association twelve such instances were found (one member having failed in the Institute's Intermediate Examination no less than nine times) and in the case of the Corporation of Accountants nineteen instances (one member of the Corporation having failed twelve times to pass the Institute's Intermediate Examination). Some of these have now been admitted to the Associations without examinations, and some after examination. It is proposed presumably that such persons shall rank on the Register with those who can and in fact have passed the Institute Examinations.

26. In my opinion, members of the bodies above referred to have in many cases sought membership with a view to claiming admission to the Register if Registration of Accountants becomes the law.

27. In these circumstances, I am of opinion that a Register to which would be admitted all members of the three bodies above referred to would not be in the interests of the public, inasmuch as it would represent as being fit for important public work persons who have never seen the practice of Public Accountancy and 50 per cent. or more of whom have never passed any examination to test their qualification.

28. A question arises, therefore, as to the examination test which is passed by members of the three Associations mentioned. It is claimed that the standard is the same as that of the Institute and Society. The questions possibly are, but because a question is the same, it does not follow that the standard for a correct answer to the question is the same. In other words that the same question put in the Institute's examination and the London Association's examination would necessarily obtain the same percentage of marks.

29. Registration raises the following questions :—

(1) Who is to be included in the Register ? Is it to be a Register of public practising Accountants, which it might be possible though very difficult to define ; or is it to be a Register of all Accountants, to which there can be no limitations, as it would include book-keepers in every business and firm.

(2) If it is to be a Register of public practising Accountants some kind of monopoly must be involved. Would it be a monopoly of auditing by amending the Companies Act so as to provide that the Auditor of every company, public or private, must be an Accountant on the Register ? It cannot be believed that the business world would consent to the profession so registered having the monopoly of liquidatorships or of trusteeships in bankruptcy, and still less could the right of Accountants to charge remuneration be limited to those on the Register ? Again, would the legal profession and the bankers agree to Income Tax work being made the work of the Accountant profession alone ?

(3) What is the use of the Register if it does not imply some restriction and to what extent can there be any restriction ?

30. I am not aware of there having been any public demand for the Registration of Accountants. I am of course continuously hearing of the subject in my office correspondence, principally (1) from Members of the Institute practising in small localities who complain of unfair competition from members of other bodies and entirely unattached Accountants who advertise and tout for business ; and more particularly with regard to the competition in Income Tax work by a large number of ex-Inland Revenue officials who use the fact that they were once employed by the Inland Revenue as a reason for their having intimate knowledge of this class of work, and who, being subject to no professional discipline, advertise the fact with great effect ; (2) from other Members who hope that the registration of Accountants would remove from competition numbers of members of other bodies who have never passed any examination and who, with other persons now in practice who belong to no body at all, might not find a place on the Register ; and (3) from other Societies, more particularly the London Association of Accountants Limited, the Central Association of Accountants Limited, and the Corporation of Accountants Limited, who unquestionably think that the name of " Registered Accountant " would be more attractive to the public as a professional designation than that which they now possess, and that they would in this way be able to compete better with those who are entitled to describe themselves as Chartered Accountants. The qualification " Chartered Accountant " has during the last twenty years attracted a great deal of attention, and it is not unnatural that it has aroused jealousy in the minds of those who cannot or will not obtain it. In South Africa the expression has been deliberately adopted with the sanction of the Provincial Legislature for the use of members of the leading bodies of Accountants there who have no Charter to justify the name. In my opinion, the creation of any such Statutory title as Registered Accountant would undoubtedly level upwards the position of a large number of Accountants of every kind throughout the Kingdom and at the same time level down the Chartered Accountant profession which without hesitation I maintain has made the profession of Accountant what it is to-day and is the envy of those who, I will not say could not, but would not take the necessary steps to obtain the qualification themselves.

31. It may be asked : Are the Members of the Institute in favour of Registration ? The Council has passed a Resolution against it which I think represents the feeling of a majority of the Members but I find a great confusion in the minds of many as to

what is meant by "Registration" and until this is defined it is impossible to give a definite answer. In this connection, I have read with very much interest a lecture delivered before the Incorporated Accountants Students Society of London by Mr. Walter Holman, Fellow of the Society of Incorporated Accountants and Auditors and a Member of its Council, delivered so lately as October, 1927. In this lecture he deals with the subject succinctly and judicially and after discussing the arguments for and against Registration concludes by saying :—

> "While I am inclined to favour Registration in theory, I think the difficulties of making it really effective are so great as to justify the opinion that Registration is not a practical proposition."

At the conclusion of the lecture, the Chairman, Mr. E. Cassleton Elliott (now Vice-President of the Society) stated as follows :—

> "Registration is all very well, but I think you will find that the great majority of people who really desire Registration are those who think they may possibly obtain some material benefit from it. If that is the sole object in view, then I do not think Registration is good for anybody, because it will be simply protecting a few practitioners at the expense of the many. At the present time the public really knows what it wants. If it requires a well qualified Accountant it will go to an Incorporated or a Chartered Accountant."

32. I entirely agree with these remarks and share Mr. Cassleton Elliott's opinion that those who desire Registration are those who think they may obtain advantage from it and that there is no call for it from the public.

10th March, 1930.

THE HON. GEORGE COLVILLE examined.

(*The Witness*) : There are one or two matters I should like to refer to. First of all, I think I ought to mention what happened in the Cardiff Corporation Bill when it was before the Local Legislation Committee of the House of Commons last week. The Corporation had included in their Bill a Clause taking power to employ, as auditors of the Corporation's accounts, a firm of Chartered or a firm of Incorporated Accountants. The London Association of Accountants, Limited, lodged a petition with a view to having their name included in the Clause, whilst the Institute and Society lodged petitions against alterations. The Petitioners against alterations, however, announced that in view of this Departmental Committee having been set up to consider the question of registration for accountants, which resulted from the suggestion of the Local Legislation Committee last year in connection with the Chester Corporation Bill, they would not take any part in the proceedings, and accordingly withdrew. In their absence the London Association of Accountants, Limited, were heard and the Committee eventually decided that they would include their name in the Clause. I should like to draw attention to the following question by Mr. Keen, Counsel for the London Association, put to Mr. Latham, its Secretary, and his reply :— "Mr. Keen ; And is the whole question of registration one that must involve difficulty and may involve a great deal of delay ?—Mr. Latham : Enormous difficulties." Mr. Latham's Association is the Association which wishes to put forward registration, and he sees the enormous difficulties that there are.

Sir William Plender mentioned the places abroad where there was registration and where there was not registration. There was an attempt made in South Africa in 1927 to effect registration throughout the whole Union. That scheme entirely collapsed, and the only result of the Act was that the local societies took statutory authority to adopt the name of "Chartered Accountant." They liked the name so they took statutory authority to apply it to themselves.

Mr. Scott, I think, rather suggested that it might be difficult to become an articled clerk to a chartered accountant. I rather think you made that suggestion, Sir. (*Mr. Scott*) : I suggested that some young men might not have the cash. (*The Witness*) : That, of course, is possible, and I should like to deal with that. There are 4,120 chartered accountants in practice. Each of them can take two articled clerks. So that means there are are 8,240 vacancies. But only 3,747 of them are filled. So it cannot be said articled clerks cannot get a post. (*Mr. Scott*) : Excuse me. It was the other way I was putting it : it was the young men who would like to become articled clerks who cannot afford the money. (*The Witness*) : I was going to deal with that next. With regard to the premiums which are payable, Sir William Plender mentioned 500 guineas. I think you must take that as a very high maximum. There are certain cases, a number I should think, of articled clerks who are accepted without any premium at all, possibly because they have been good clerks, and their employer wants to help them, and gives them their articles—a considerable number. There are many articled clerks who pay a premium of 100 guineas, there are many who pay 200 and 300 guineas, but since the War by far the largest majority of those articles provide for the premium being repaid during the course of service by way of salary. One member mentioned the analogy of a barrister, which Sir William Plender referred to in his Memorandum. Of course, we all know that the real rule affecting a barrister is that he has to eat a certain number of dinners at the Inns of Court, but I venture to think that practically every barrister who has taken up the Bar as a profession with the intention of practising does read in a barrister's chambers, and I venture to say that it would be practically impossible for a barrister to practise unless he had not only read in counsel's chambers, but had attended the Law Courts, and seen practice. He must have practical experience in addition to passing the examination, and, of course, he pays a fee for reading with a barrister.

With regard to the London Association, it has been my duty and endeavour to find out what the members of the London Association were doing. They gave in evidence last week, as Mr. Cash, I think, said just now, that 32 per cent. of their members were in practice. Of the remaining 68 per cent. a very large percentage are employed by trading companies and by private firms and in that class of business, but a very large number of them have never been into an accountant's office. They have crammed for their examination, their only experience is just keeping the ordinary books of an office ; they have no knowledge of real public accounting. I happen to know one member of the London Association ; he is described as the accountant of a Charity ; a very excellent clerk ; you could not have a better clerk ; but I should doubt if he had ever seen an audit, except the audit of that one Charity. He cannot have seen liquidation ; he is simply there as an excellent bookkeeper ; but from the point of view of a public practising accountant he has no experience at all, yet he is an Associate of that body, and in five years' time, if he holds his present appointment for another five years, he will become a Fellow.

152. (*Mr. Scott*) : Would not registration under the conditions which I indicated a few minutes ago be an effective bar against that kind of man, a man who had no actual practical training as an accountant ? He would not be able to call himself registered ?—You would then have to cut out membership of the London Association as being a condition of admission to the Register. (*Mr. Scott*) : No. Excuse me. You prevent certain members of that Association from calling themselves registered. (*The Witness*) : That is what I mean. You have to cut out that Association, *ipso facto ;* a body whose members will not meet that condition. I do not think you would find that the London Association would allow that to pass through Parliament without opposition. There is one piece of evidence which was given in the Chester Bill last year which I think is rather interesting. Mr. George Spencer Houghton, Fellow of the London Association, gave evidence, when they attempted to get recognised in the Bill, and he was cross-examined by Counsel for the Institute. He was asked as follows :—"So the position was this, that you had been in the employment for 20 years of a Chartered Accountant, you could have joined the Society, but you would have had to pass an examination to test your knowledge, you chose to join the London Association, which you could do on paying a fee, without passing any examination. Is that right ?—That is an absolute fact." Re-examined by Mr. Craig Henderson (who was his Association's counsel) : "That was in 1911 ?—That was in 1911, just about the time when the Registration Bill was being introduced, and I thought at that time that as I was not attached to any particular society it was desirable that I should be attached to one ; naturally I chose the one I have continued to adopt. I have not seen that it would serve any further useful purpose if I became attached to either of the other societies with the exception of that one extent in which legislation bars us from acting. Therefore, I am quite content with the membership of my own association.—Q. That was only one year after the system of examination was first introduced. Was there any Association in 1910 ?—Yes." Then the Chairman asked this question : "Do you attach any importance to qualifications by examination ?—No, Sir. I attach the most importance to the man who had had the actual practical experience.—Q. Are we to understand that you do not attach any importance whatever to qualifications by examination ?—The examination may be superficial.—Q. Will you answer the question ?—Well, it must be qualified, Sir ; I mean, a man may cram and he may forget all he has learnt in less than six months." There you have one of the Council of the London Association saying that in his opinion practical experience is essential, and yet the Association admits about two-thirds of its members without any practical experience at all.

153. (*Chairman*) : In paragraph 11 of your Memorandum you say "A few years since, the appointments of Public Auditors under the Industrial and Friendly Societies Acts were limited to those who were Chartered or Incorporated Accountants, and in his Report for the year 1926, the Registrar of Friendly Societies stated that this restriction in appointment was then proving very satisfactory." What is the meaning of "this restriction" ?—That was a provision pressed on the Government, I understand, by the Registrar of Friendly Societies, who found that some of the auditors on the list were extremely unsatisfactory, and he wished to make sure of the qualifications by employing members of the Institute or the Society.

154. In paragraph 30 of your Memorandum you say ; "I am not aware of there having been any public demand for the registration of accountants. I am of course continuously hearing of the subject in my office correspondence, principally (1) from members of the Institute practising in small localities who complain of unfair competition from members of other bodies and entirely unattached accountants," etc. Do you get many complaints of that kind ?—I could not give you any figure.

155. You intimate that you get them ?—I do get a certain number from our own members, who say "Can you not stop this sort of thing" ; they perhaps send me a circular signed by some outside accountant who more often than not is a retired revenue officer.

156. That rather suggests that registration would remove that ?—That is their idea.

157. (*Mr. Bellman*) : In paragraph 21 of Sir William Plender's Evidence reference is made to the 599 members who joined the Institute on its formation in 1880, and I see from your schedule that the total number admitted without examination, for instance in the first year, was 949.—Yes.

158. That being a half a century ago, I take it one may assume that the majority, if not all, of those first entrants have now ceased to practice ? Would that be a fair assumption ?—Not quite. A very large majority, I admit, but there are a considerable number still in practice.

159. Is it possible for you to tell me, even approximately, the proportion of your members who joined the Institute without examination up to, say, the year 1908 who are still practising ? I select 1908 because there has been practically no entrant without examination since that period.—I think I have given you that answer, have I not ? 1,858 came in, practically all of them in two sections, before 1908, without examination, and I think earlier in my Memorandum I say there are only 227 who have not passed the Institute's final examination. Is that the answer you want ?

160. Yes, that meets my point.—Of course, the majority of those 227 I should say were included in that 599.

161. The original members ?—The original members.

162. (*Mr. Walker Clark*) : I suppose a large number of those who fail in the preliminary or intermediate examination try again ?—Oh ! yes, they may do. I have known people fail as many as 12 and 14 times.

163. Really ! And give it up ?—I have often felt we ought to admit them.

164. The reason I ask is, that these apparent failures are not actual failures, because they try again and are successful ?—The same person is repeated, it may be, several times.

165. (*Mr. Scurr*) : Some of those failures are not really concerned with accountancy, particularly in the preliminary examination ?—The preliminary is not accountancy at all.

166. They may be taking French ?—The object of the preliminary examination is to ensure that we have well educated persons. For instance, we will not admit people who cannot do arithmetic, or people who cannot spell.

167. (*Mr. Wills*) : I see on page 2 of your Memorandum, among the optional subjects, that you include Actuarial Science. As a matter of interest, may I ask the reason ?—I am not sure. I think the Examinations Committee are going to drop it ; it has been found to be a failure.

168. It seems to be the business rather of the actuary than the accountant ?—Of course, in Scotland the accountant and the actuary are the same person, very often.

169. (*Mr. Scott*) : The chartered accountant and the actuary are, I should say, quite distinct in most cases.—One of the Societies in Scotland is the Society of Accountants and Actuaries of Glasgow. (*Mr. Scott*) : That is so.

The examination of the Hon. G. Colville terminated.

(*Mr. Cash*) : My Lord, might I just say this, which I think Sir William would have desired me to say. In the last paragraph of his Memorandum he states ; "It is possible that the Committee may consider this Memorandum deals only generally with the subject, but no scheme has yet been seen by me showing what qualifications will be necessary for entry on the Register or what provisions are to be made for education, training and discipline." Then he goes on to say that perhaps the Committee will be kind enough, if there is some definite scheme put forward in that direction, to give us the opportunity of being heard again.

(The Witnesses withdrew and the Committee adjourned.)

APPENDIX A.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

FIGURES EXTRACTED FROM THE STOCK EXCHANGE OFFICIAL INTELLIGENCE FOR 1929.

Number of Companies.	*Accounts Audited by*	*Capital Issued.* £	*Debenture Capital Issued.* £	*Total Share and Debenture Capital Issued.* £
4,971	Chartered Accountants or Firms of which all Partners are C.A.'s ...	4,228,015,347	1,367,592,243	5,595,607,590
129	Firms the Partners of which are either Chartered or Incorporated Accountants	61,157,365	13,293,384	74,450,749
8	Firms the Partners of which are either Chartered or Certified Accountants	1,487,115		1,487,115
3	Firms the Partners of which are either Chartered or Corporate Accountants	700,508	65,000	765,508
1	Firm the Partners of which are either Chartered or Associated Accountants	750,000		750,000
19	Firms the Partners of which are Chartered Accountants and other persons whose qualifications cannot be traced	11,614,875	631,840	12,246,715
1	Firm the Partners of which are Chartered Accountants, Incorporated Accountants and Associated Accountants	280,000		280,000
28	Chartered Accountants jointly with Incorporated Accountants	18,790,048	1,430,090	20,220,138
7	Chartered Accountants jointly with Certified Accountants	26,639,298	9,876,329	36,515,627
3	Chartered Accountants jointly with Associated Accountants	2,453,961	537,580	2,991,541
8	Chartered Accountants jointly with Firms the Partners of which are either Chartered or Incorporated Accountants	6,783,081	315,700	7,098,781
2	Chartered Accountants jointly with Firms the Partners of which are either Incorporated Accountants or other persons whose qualifications cannot be traced	760,964	41,069	802,033
1	Chartered Accountant jointly with a Firm the Partners of which are either Corporate Accountants or persons whose qualifications cannot be traced	138,235	52,648	190,883
67	Chartered Accountants jointly with Shareholders or persons whose qualifications cannot be traced	166,350,288	60,705,712	227,056,000
5,248		4,525,921,085	1,454,541,595	5,980,462,680
160	Incorporated Accountants	41,134,706	5,270,121	46,404,827
1	Incorporated Accountant jointly with Certified Accountants	3,657,200	1,657,200	5,314,400
12	Incorporated Accountants jointly with Shareholders or other persons whose qualifications cannot be traced ...	3,691,305	1,251,699	4,943,004
9	Certified Accountants	820,449	2,778	823,227
3	Corporate Accountants	602,500	99,100	701,600
2	Corporate Accountants jointly with Shareholders or persons whose qualifications cannot be traced	577,155	192,967	770,122
3	Associated Accountants	2,864,921		2,864,921
1	Associated Accountant jointly with Shareholder or person whose qualifications cannot be traced ...	146,205	1,930	148,135
79	Shareholders or persons whose qualifications cannot be traced	37,669,223	40,338,189	78,007,412
5,518		£4,617,084,749	£1,503,355,579	£6,120,440,328

N.B.—A considerable number of Companies enumerated in the Stock Exchange Official Intelligence do not give their Auditors; they consist principally of Foreign and small Companies and for the purpose of this statement have not been included.

APPENDIX B.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

Extract from the Royal Charter of 11th May, 1880.

Service under Articles of Clerkship.

12. A person shall not be allowed to present himself for the final examination under this Our Charter unless he has served for five years at the least as a Public Accountant's Clerk or if he shall have graduated in any of the Universities of our United Kingdom for the time being then unless he has served for three years at the least as a Public Accountant's Clerk. And in the case of all examinations held after the expiration of five years or in the case of graduates as aforesaid three years from the time when the first bye-laws made under this Our Charter come into operation service shall mean service under articles to a Member or Members of the Institute.

APPENDIX C.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

ANALYSIS of admissions to membership since the grant of the Charter shewing reasons for admissions.

Year.	Passed Final Examination.			Without Examination.					Totals.
	Passed Final Examination after 3 or 5 years' service (since 1887 under Articles).	Practice or Service in 1882 and Examination.	10 years' practice and Examination Bye-law 35a. In force from 1905–7.	10 years' practice Bye-law 35. [repealed in 1904.]	Practice since 1877.	Service since 1875.	In practice on 1st Jan. 1879 and 5 years practice in all.	Societies. Members of Old.	
1880					131	78	141	599	949
1881					41	171	30		242
1882	13	2			16	40	17		88
1883	31	4			7	43	25		110
1884	35	7			4	24	9		79
1885	46	2			6	26	5		85
1886	78	2			10	28	2		120
1887	126	6			4	42	1		179
1888	64				5	14	7		90
1889	55	2			7	11	7		82
1890	63	2			2	19	6		92
1891	63				2	15	11		91
1892	79	23			2	12	6		122
1893	88	17		9	5	25	4		148
1894	107	9		22	1	10	5		154
1895	90	14		11		9	3		127
1896	107	4		16	2	7	3		139
1897	109	8		25		11			153
1898	125	4		24		4	4		161
1899	151	5		5		4	1		166
1900	114	3		2		4	1		124
1901	161	2		1		1			165
1902	166				1	2	1		170
1903	184	2		1		1	2		190
1904	215	2				1			218
1905	224		2			1			227
1906	226		5						231
1907	212		7						219
1908	178					1			179
1909	241								241
1910	226								226
1911	247								247
1912	219								219
1913	258								258
1914	235								235
1915	153								153
1916	72								72
1917	52								52
1918	66								66
1919	143					1			144
1920	514						1		515
1921	371								371
1922	266								266
1923	362								362
1924	420								420
1925	464								464
1926	513								513
1927	509								509
1928	646								646
1929	610								610
1930 (to 1st March)	353								353
	10,250	120	14	116	246	605	292	599*	12,242
	10,384			1,858					

* Some of these must have passed examinations of the Old Societies, but there is no record which shows.

APPENDIX D.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

The results of the Preliminary Intermediate and Final Examinations for the years 1919–1929 were as follows :—

			Total No. examined.	Passed.
1919	Preliminary Examination	...	496	289
	Intermediate do.	...	176	135
	Final do.	...	448	308
			1,120	
1920	Preliminary do.	...	627	355
	Intermediate do.	...	421	269
	Final do.	...	747	506
			1,795	
1921	Preliminary do.	...	683	357
	Intermediate do.	...	951	698
	Final do.	...	492	265
			2,126	
1922	Preliminary do.	...	716	404
	Intermediate do.	...	985	659
	Final do.	...	570	304
			2,271	
1923	Preliminary do.	...	755	451
	Intermediate do.	...	907	516
	Final do.	...	801	435
			2,463	
1924	Preliminary do.	...	672	379
	Intermediate do.	...	1,040	549
	Final do.	...	968	430
			2,680	
1925	Preliminary do.	...	702	365
	Intermediate do.	...	1,200	725
	Final do.	...	981	453
			2,883	
1926	Preliminary Examination	...	659	360
	Intermediate do.	...	1,208	717
	Final do.	...	942	542
			2,809	
1927	Preliminary do.	...	652	381
	Intermediate do.	...	1,174	679
	Final do.	...	1,089	647
			2,915	
1928	Preliminary do.	...	574	342
	Intermediate do.	...	1,130	659
	Final do.	...	1,119	613
			2,823	
1929	Preliminary do.	...	603	325
	Intermediate do.	...	1,195	646
	Final do.	...	1,107	640
			2,945	

SUMMARY of above years 1919–1929.

Preliminary Examination		...	7,139	4,008
Intermediate	do.	...	10,387	6,254
Final	do.	...	9,264	5,143
			26,790	15,405

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

SECOND DAY.

LONDON :
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51-183-2

DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERICK EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE,
7th February, 1930.

SECOND DAY.

Friday, 28th March, 1930.

PRESENT :

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. F. E. WARBRECK HOWELL.
MR. G. J. SCOTT, J.P.
MR. JOHN SCURR, M.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

SIR JAMES MARTIN, J.P. (*Past President*), MR. HENRY MORGAN (*President*), MR. C. HEWETSON NELSON, J.P. (*Past President, Chairman of Board of Examiners*), MR. R. WILSON BARTLETT, J.P. (*Member of the Council*), representing the Society of Incorporated Accountants and Auditors, called.

The Committee had before them the following Memoranda submitted by the Society of Incorporated Accountants and Auditors :—

MEMORANDUM No. 4.

THE HISTORY, POLICY AND MEMBERSHIP OF THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

1. The Society of Incorporated Accountants and Auditors was incorporated in December, 1885, as "The Society of Accountants and Auditors," the word "Limited" being omitted after the title by licence of the Board of Trade. The aims and objects of the Society are set forth in its Memorandum of Association, the principal being :—

> "To provide a central organisation for Accountants and Auditors, both men and women, and generally to do all such things as from time to time may be necessary to elevate the status and procure the advancement of the interests of the profession."

2. In the year 1886, the Society recommended its members to adopt as their professional designation the term "Incorporated Accountant." In the year 1907 the Society, in an action against one Goodway and the London Association of Accountants Limited, claimed an injunction in the High Court of Justice, Chancery Division, to restrain the defendants from using the designation "Incorporated Accountant." In granting an injunction, the Court held that the designation "Incorporated Accountant" denoted membership, not of any society whatever of accountants which was incorporated, but membership of the definite incorporated society which, by its tests and examinations, and by its rules and requirements as to qualification, conferred on its members a status different from that of other members of the profession who had not the same qualification. In coming to that conclusion, the Court further held that the designation "Incorporated Accountant" did mean a member of the Society, and did confer on the members the privilege of being looked on, by persons who had dealing with accountants, as holding a certain definite status indicating reliability and integrity.

This is a leading case, and has been used by other professional bodies in the protection of their designations. It was followed on April 17th, 1929, by the Supreme Court of South Africa in an action by the Society of Incorporated Accountants and Auditors and others *v.* Powell.

3. Having regard to the fact that the designation of "Incorporated Accountant" has been used and accepted as denoting membership of the Society for a period of more than 44 years, the Society desires to continue the use of this designation in the event of Parliament setting up a Register of practising accountants.

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In 1908, the name of the Society was altered, with the consent of the Board of Trade, to its present title "The Society of Incorporated Accountants and Auditors."

4. The Society of Incorporated Accountants and Auditors on January 1st, 1930, had on its roll 5,225 Members, of whom 1,408 were Fellows, and 3,813 were Associates, and 4 Honorary Members. Of these 2,386 were practising and 2,839 were non-practising. Amongst the non-practising members are those holding appointments as clerks to professional accountants in public practice or as accountants in Government Departments, County Councils, Municipal Corporations, or other Public Bodies.

5. Of the members on the roll on January 1st, 1930, 4,542, or 87 per cent., have passed the Society's Final Examination, and 4 per cent. of the total membership have passed equivalent Examinations of other approved bodies of Accountants. The remainder includes original members of the Society and members elected from other bodies of good professional standing at Home and in the British Dominions. Since the year 1912 no person has been admitted to the membership of the Society without having passed the Society's Examinations, or the examinations of some other approved body of Accountants in Great Britain, Ireland, or in the British Dominions. During the ten years 1920–1929, 5,109 candidates sat for the Final Examination, of whom 56 per cent. passed and 44 per cent. failed.

In addition, 9,888 candidates sat for the Intermediate and/or the Preliminary Examinations. Full details of the Examinations are given in the Schedule to this Memorandum.* On 1st January, 1930, the Society had on its Register 1,586 Articled Clerks and 1,952 other candidates not serving under Articles.

6. It is provided by the Society's Regulations that admission to membership of the Society is only after passing the prescribed Examinations, and candidates must have had definite professional experience before being accepted as such. The service required from candidates may either be under Articles of Clerkship with an Incorporated Accountant in public practice for a period of five years (Graduates of approved Universities three years) or alternatively by service as clerks to public accountants as defined in paragraph 7 (*b*) below. Candidates (22 years of age) having

* Appendices E and F.

completed six years of such service, may sit for the Intermediate Examination and candidates (25 years of age) having passed the Intermediate and completed nine years of such service, may sit for the Final Examination. These provisions have enabled a number of properly-qualified men and women to be admitted to membership of the Society who were not in a position to serve articles of clerkship. In all cases, Candidates must first pass or obtain exemption upon approved educational certificates from the Preliminary Examination.

7. In accordance with the above provisions in paragraph 6, the following classes of candidates are admitted to the Society's membership, subject to satisfactory proof of training, experience and character and to passing the foregoing Examinations :—

(*a*) Articled Clerks—5 years' service (Graduates 3 years).

(*b*) Non-Articled Candidates—

(i) Clerks to Professional Accountants in public practice, (ii) Accountants in Government service, (iii) Clerks to Principal Accountants of Municipal and County Authorities, and other Public Bodies, (iv) Accountants engaged in Public Audit work.	9 years' service

8. The Society has organised extensive arrangements for Professional Education. There are 20 Branches and District Societies actively operating throughout Great Britain, and 2 in Ireland, to each of which is attached a Students' Section. The Incorporated Accountants' Students' Society of London comprises about 1,000 members. Candidates upon being accepted for the Society's Examinations are required to become members of one of these Students' Sections.

9. The organisation of Incorporated Accountants has extended to the British Dominions, where representative Committees of Incorporated Accountants, working in close relation with the Council in London, have been established. Members overseas may retain Articled Clerks, and, where practicable, examinations are conducted in the Dominions under the charge of the representative Committees. A number of overseas candidates also present themselves in London for the Examinations. As a result of the Society's policy, the diploma of Incorporated Accountant is accepted all over the world, both for professional purposes and for obtaining membership of recognised Dominion and Foreign Bodies of Accountants.

10. A high standard of professional conduct is demanded of the members and is enforced, when necessary, by a Disciplinary Committee. No person is allowed to remain on the roll of the Society who is a bankrupt, or who pays or proposes to pay any composition to his creditors, or who takes, or attempts to take, the benefit of any statutory provision for arrangement with his creditors. The Disciplinary Committee meets as occasion requires to hear any charges of professional misconduct and, within certain limits, adjudicates thereon, or makes a report to be laid before the Council, which can exercise the power of suspension or expulsion.

11. Full particulars of the regulations and membership of the Society are to be found in the Incorporated Accountants' Year Book for 1930.

MEMORANDUM No. 5.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

THE CASE FOR REGISTRATION.

1. Accountancy has been definitely established in England and Wales as a profession for 50 years, and in Scotland for a longer period.

2. The importance of the work of the profession and its comprehensiveness have increased to an almost phenomenal extent since the profession was founded. Legislation has definitely increased the responsibilities of its members, and the more highly organised and complicated economic life of the country has demanded increasingly the services of professional accountants in the spheres of industry, commerce and finance. This tendency is likely to increase as years go on.

3. In five particular directions alone, the responsibilities which legislation has placed upon members of the profession will be readily appreciated.

(a) *In regard to Companies.*—The duties of Auditors were made considerably more onerous by the Companies Act of 1929.

(b) *In regard to Direct Taxation.*—The adjustment of the claims upon Taxpayers with the Inland Revenue is a duty which demands the skilled assistance of a professional accountant. This is a substantial service which the profession of accountancy renders to the public and to the Inland Revenue.

(c) *In regard to the Audit of the Accounts of Municipal Corporations.*—The legislature is continually adding to the number of Corporation Acts which appoint professional accountants in substitution for, or in addition to, elective auditors. The number of such Acts is 74. The necessity for this legislative tendency was unanimously recognised by a Joint Committee of both Houses of Parliament so far back as the year 1903.

(d) *The Administration of Trust Estates.*—The responsibilities of accountants, who audit or keep Trust Accounts, have been materially increased by the recent Trustee Act of 1925 and the Law of Property Act; and in Scotland by the Trust Act of 1921.

(e) *In Insolvency Matters.*—As Trustees in Bankruptcy or under Deeds of Assignment, or as Liquidators or Receivers.

4. There is an increasing tendency to retain professional accountants as financial advisers to business undertakings. In addition to large undertakings, the smaller manufacturers and traders, who form a substantial part of the business community, are finding increasing need for the services of professional accountants.

5. The Accountancy Profession has become a repository for a large amount of collective experience and information which, from time to time, the profession, upon request, has placed at the service of the Government, by evidence before Royal Commissions and Departmental Committees, on questions of Commercial Law, Company Practice, Income Tax and National Finance.

6. Of those persons practising in the Accountancy Profession a substantial number are members of recognised professional bodies, admission to which is only after professional service and passing examinations of a high standard. The members of the bodies in question are subject to stringent disciplinary control and conform to a well-recognised though largely unwritten code of professional conduct and etiquette.

The usefulness of a profession depends upon the skill of its members, and the esteem in which those members are regarded by the Public. This position has been made possible by a high standard of qualification and professional conduct.

The Profession of Accountancy has not received the protection of Parliament by special legislation. The Professions of Law, Medicine and Dentistry, as a matter of public protection, have been so regulated by special Acts, and it is submitted by the Society of Incorporated Accountants and Auditors that similar legislation, *mutatis mutandis*, should be passed to regulate and control the profession of Accountancy.

7. At the present time any person, be his qualifications what they may, can commence and continue in public practice as an Accountant without compliance with any standard of professional skill and subject to no disciplinary control whatsoever.

Such persons may use means of an unprofessional character to obtain professional business. Schedule I attached hereto gives particulars of a number of cases of unprofessional methods and of instances which show that the Public have been seriously prejudiced.* It will be readily seen that in these circumstances the public have no adequate assurance whatever as to the qualifications or character of those to whom they may entrust their most intimate and responsible affairs.

A member of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors who has been struck off the roll for unprofessional or dishonourable conduct, may continue to practise as a public accountant.

8. Many persons who start practice without adequate qualification do so under the guise of, or in connection with, so-called trade protection or mercantile agencies and income tax agencies, and (*inter alia*), it is to eliminate these features, which are not in the public interest, that registration is sought.

9. There is another serious feature, namely, in regard to the multiplication of new bodies of accountants. In recent years no less than seven different bodies have been formed all of which in varying degrees have advertised and circularised for members. The anomaly is that members of these bodies, being members of any body of accountants which is incorporated, are entitled to appear before Income Tax Commissioners in accordance with the terms of Section 137 of the Income Tax Act, 1918. In consequence, at least one such body prints a note in red ink at the head of its prospectus, reminding possible recruits that membership will entitle them to take advantage of this Section of the Act.

10. The public mind is considerably confused as to who is, and who is not, a properly qualified accountant. Any person can set up in practice, without any control, and bodies of accountants can be multiplied by the process of registration under the Companies Act. It is clear that since 1911, when the last Professional Accountants' Bill was before the House of Lords, the position in this respect has become materially worse, and under present conditions the evil is likely to be accentuated.

11. If the Accountancy Profession is to provide the best accountancy service for the public and the country, it is essential that it should be regulated by Statute. This would involve bringing under statutory control at a given date all persons who were bona fide carrying on public practice as accountants, and, after the expiration of a transitional period, admission to the register of professional accountants should be subject to specified conditions as to Examinations and professional experience. All those upon the Register would be subject to disciplinary control.

12. The desirability, if not the necessity, of Registration for the Profession of Accountancy has been recognised for many years. Numerous attempts have been made on previous occasions to pass Registration Bills.

The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors collaborated in presenting the Professional Accountants Bill, 1911, which was the most comprehensive of the several Bills introduced during the last forty years. This Bill passed its second reading in the House of Lords and it was only lack of Parliamentary time which prevented the measure from becoming Law. During the second reading debate in the House of Lords, in March, 1911, Lord Alverstone said :—"There is a great necessity for the Bill. The use of the word 'accountant' is taken by people without qualifications." Lord Desborough said :—"The London Chamber of Commerce is anxious that there should be a register of accountants in the interests of the public." The Marquis of Salisbury also supported the second reading.

In most of the Provinces in the Union of South Africa, and in New Zealand, the profession of Accountancy is registered by Statute and in the Irish Free State the promotion of a Registration Bill by the Government has reached an advanced stage.

On April 16th, 1929, Sir Thomas Robinson, speaking as Chairman of the Local Legislation Committee of the House of Commons, epitomised the case for Registration, when he said :—"I am desired to say that, in the opinion of the Committee, sound, reliable accountancy is of paramount importance to industry, commerce, and the investing public, and with a view to establishing an efficient accounting public service, we consider the time is opportune for establishing a register of properly qualified persons, on the lines of the law and the medical service, and we suggest to the accounting world that they should seriously consider the matter of the register, the training and the qualifications, as the Committee feel that all qualified persons should have the opportunity of giving public service."

13. On September 30th, 1927, in a speech delivered during the Autumnal Conference of the Society of Incorporated Accountants and Auditors, Lord Hewart, of Bury, said :—

> "I suspect that even now, for reasons not easy to understand, the great profession of accountancy has not a register from which, for good reasons, a man's name could be removed. To say the least, it is a pity that the proud name of Accountant should be so much at the mercy of the undeserving. How unfortunate it would be if every person who solicited anything from anybody were entitled to the name of Solicitor, or if everybody who called himself to the saloon bar were to describe himself as a barrister. Yet, apparently, all who profess to count, whether their sums come right or not, can call themselves accountants. It seems to me a pity that, as the work of the accountant has become more complex and more responsible, and demands an increasingly high standard of professional integrity, this should be so."

14. A note on the Registration of Scottish Law Agents in 1873 is appended.*

* Appendix G.

* Appendix H.

MEMORANDUM No. 6.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

DRAFT OF PROFESSIONAL ACCOUNTANTS' BILL.

The Draft Bill* which the Society submits to the Departmental Committee is based upon the Professional Accountants' Bill of 1911, which was then prepared in collaboration between the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, with such amendments and additions as now appear to this Society to be necessary.

The object of this Bill is to organise the profession of accountant on the same lines as the professions of solicitor, surgeon, or physician, veterinary surgeon, and dentist, by forming registers of professional accountants and prohibiting any unregistered person from taking or using any name, title, etc., stating or implying that he is a professional accountant, and from holding himself out to the public as ready to undertake for pay the business of a professional accountant.

All present and future members of the Institute of Chartered Accountants in England and Wales, which was incorporated by Royal Charter in 1880, the Society of Incorporated Accountants and Auditors, which was incorporated under section 23 of the Companies Act, 1867, in the year 1885, the Society of Accountants in Edinburgh, which was incorporated by Royal Charter in 1854, the Institute of Accountants and Actuaries in Glasgow, which was incorporated by Royal Charter in 1855, the Society of Accountants in Aberdeen, which was incorporated by Royal Charter in 1867, and the members of certain Dominion or Colonial institutes or societies who give notice of their intention to practise in any part of Great Britain and all persons who, though not members of any of the said institutes or societies, were in practice in any part of Great Britain at the passing of the Act will be entitled to be registered. Persons not being entitled as aforesaid but who serve five years' articles or who shall have been clerks to professional accountants for nine years and who pass the prescribed examinations under the Act will also be entitled to be registered.

There will be two professional accountants register committees, one for England and Wales and one for Scotland, each with power to make rules respecting registration, and generally for the execution of the provisions of the Act and with disciplinary powers for the protection of the public.

In case any register committee be at any time dissatisfied with the standard of proficiency required at the examination for admission to membership of any of the said English or Scottish institutes or societies, such register committee may make representations to the Privy Council to that effect, and the Privy Council will have power to require that such standard shall be changed.

In case of refusal of any register committee to register an applicant, and in case of the removal of a name from the register, there will be an appeal to the High Court in England or the Court of Session in Scotland, as the case may be.

* Appendix J.

Sir JAMES MARTIN, J.P., examined.

(*Chairman*): Would you like to make any statement to the Committee to add to the evidence which you have submitted to us in writing?—My Lord, will you allow me just in the first place to put before the Committee my qualifications for giving evidence on this very important matter. I am sorry to say that it is 48 years ago since I commenced to practise in the City of London and, in conjunction with one of my partners, founded my present firm. In the year 1885 I was a Member of the Committee which founded the Society of Incorporated Accountants and Auditors; and I regret to say that I am the only surviving member of that Committee in London, although happily I have two colleagues in the Provinces. From 1886 down to the end of the war, in conjunction with my duties as a practising accountant, I carried on the duties of Secretary to this Society. In that capacity I was engaged on all the Bills which have been introduced into either House of Parliament dealing with the Profession of Accountancy and any proposals for its registration. In addition to that, in the year 1904, it was upon my instructions, on behalf of the Society, that a Bill was negotiated in the Transvaal, soon after the South African War, which became an Act, which registered Accountants in the Province of South Africa. That Bill was subsequently followed by another Bill, which registered accountants in the Province of Natal, as it is now called. I have not asked to be set out in the Memoranda any statement of qualifications which I hold, either in the profession or outside of it. because they can be found in the usual books of reference. I think I have said enough to introduce myself to the Members of the Committee.

Now I would ask your kind permission to make two statements in regard to matters which could not be included in the general Memoranda put in on behalf of the Society, on which all the witnesses are agreed. We rather felt that we would save the Committee trouble if we could shew that there are certain principles upon which we are all agreed, though in points of detail there might be some disagreement. We thought you would get a more accurate view of the objects and aspirations of the Society in regard to this matter in that way. The first matter to which I want to draw the attention of the Committee is in regard to the Institute of Chartered Accountants in England and Wales, a body with which my Society is in friendly communication, but owing to certain circumstances, which I do not propose to go into, there has not been an interchange of the evidence which has been placed before this Committee. Therefore, I am in total ignorance of the statements of the witnesses who appeared before you yesterday for the Institute. My attention, however, has been drawn to a Resolution of the Council of the Institute, passed on the 5th March last, which is contained in an official report of the proceedings of the Council on page 340 of "The Accountant" of the 15th March last. The terms of this Resolution are:—"Resolved: That this Council, after careful consideration of the subject, are of opinion that there has been no public demand for registration of accountants and that such registration would not be in the public interest. If, however, registration of practising accountants is enforced by the Legislature, this Council are of opinion that the Members of the Institute, a body incorporated by Royal Charter, should be excluded from the provisions of any such legislation and that the separate entity of the Institute with the rights, powers, examinations and other privileges which are assigned to it by the Royal Charter, should be preserved." I am now desired by the President of the Society and the other Witnesses who appear with me before your Committee to say that any proposed legislation which excludes from its provisions the Members of the Institute of Chartered Accountants in England and Wales would not meet with the voluntary acceptance of the members of the Society of Incorporated Accountants and Auditors.

The other statement which I ask leave to place before the Committee is in relation to certain proceedings in the Local Legislation Committee of the House of Commons on the Cardiff Corporation Bill.

On Tuesday, March 18th, Mr. Wrottesley, K.C., appeared before the Committee and made the following statement on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors. I would like to say that we were appearing jointly there. This is Mr. Wrottesley's statement, and I have got it exactly from the Shorthand Notes:—"This is the point I desire to maintain before the Committee, that the decision was given over our heads last Session in the Chester Bill. I read it word for word and it will be quite familiar to the Committee. Upon that the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors approached the Board of Trade. The Board of Trade have actually set up a Departmental Committee to deal with the very matter which this Committee said was to be raised. The first meeting of that Committee to decide upon this matter, which this Committee said it was desirable to raise, takes place on the 27th of this month. That Committee will hear my friend's clients and all other bodies who are interested in this question of registration of public practising accountants. In courtesy to the Committee I am explaining why we are taking up the attitude which we are taking up, and that is that with that Committee sitting next week or the week afterwards we are not proposing to indulge in such a contest as this. I do not know whether the Committee regard the part which we took in previous contests to have been of assistance or not. But we do not think it right or proper with that Committee proposing to sit next week, to take part in this contest here or to canvass the suitability of this Society or any other of the ten or twelve different bodies."

On Wednesday, March 19th, the Chairman, after commending the action of the Petitioners against the Audit Clause (The London Association of Accountants), who, he said, "got into touch by letter with the other two organisations," made the following observations:

"The only thing that seems to have emerged from these letters is the setting up of this Departmental Committee which was referred to yesterday. I have a copy of the names of that Committee from the Board of Trade this morning, so that, taking all the circumstances into consideration, the Committee is reserving its decision until to-morrow morning."

On Thursday, March 20th, the Chairman said "the Committee have decided to give Clause 154 (the marginal note of which is the Appointment of Auditors) with the addition of the words "The London Association of Accountants Limited."

It appears to myself and the other witnesses who appear here for the Society of Incorporated Accountants and Auditors that the Local Legislation Committee as now constituted is endeavouring to pre-judge the very issue which the Committee of last year said should be gone into and which is referred to you by the President of the Board of Trade.

170. (*Chairman*): In paragraph 2 of your second Memorandum, you say: "The importance of the work of the profession and its comprehensiveness have increased to an almost phenomenal extent since the profession was founded. Legislation has definitely increased the responsibilities of its members, and the more highly organised and complicated economic life of the country has demanded increasingly the services of professional accountants in the spheres of industry, commerce and finance." Do you attach emphasis to the words "professional accountants" there? What I mean is, are you suggesting that there is a demand for the services of accountants with high qualifications, and not for those who are not well qualified?—I can say definitely that there is an increasing demand for the services of those possessing recognised qualifications, not only in regard to what is termed public practice, but in regard to the appointment of accountants requiring definite knowledge and skill.

171. At the present moment, is the supply of that class of accountants such as belong to the senior societies like yours sufficient to meet the demands of the public?—It is perfectly adequate. I am sorry to say that just at the present time it is more than adequate; but I hope that the depression will pass away, and that there will be a big expansion which will reflect itself in the number of men required.

172. So that the effect of your answer would be that as regards members of those societies which require good qualifications, there is a sufficient number of those men to meet the demand at the present moment?—Yes; my answer to that is in the affirmative.

173. In paragraph 4 you say: "There is an increasing tendency to retain professional accountants as financial advisers to business undertakings," and "the smaller manufacturers and traders, who form a substantial part of the business community, are finding increasing need for the services of professional accountants." Are these small manufacturers and traders requiring professional accountants as advisers or for ordinary accounting purposes?—The general practice of small manufacturers and traders is to call in their auditors. In larger concerns more definite arrangements are made; but it is the practice of the smaller manufacturers and traders to consult their auditors as business advisers.

174. What class would they be, in the case of very small traders? Are not there a certain number of quite small traders who have their books added up and looked into by someone who can do it for them?—Yes. I think tradesmen very often call in somebody in the locality—very often it is done like that. Anyone carrying on a business of any size whatever—I do not mean by that a very large business, but any firm or person who has got a business of any value—as a rule calls in some recognised accountant. It is quite an increasing practice for a trader to consult with his auditor on all financial matters in regard to his business.

175. It has been suggested that registration is necessary in order to protect the smaller man who may go and ask somebody who is not fully qualified to audit his accounts. Is there a danger of that; or does the trader not make some inquiries as to the kind of qualification that the man he is going to ask has, and whether he is competent to do the work?—I am afraid it is rather appalling the way the people rush into things without making inquiries. My personal experience, of course, is not so great in the smaller Provincial Towns, as I have always practised in London. But from the information which I have received over a considerable number of years, and which I was in a position to receive and go into, I am quite certain that there are a number of people who hold themselves out to be accountants who are not worthy of any public confidence whatever.

176. And who get employment?—Who get employment. Very often they get employment in regard to Income Tax matters, which is a matter of considerable importance to the State.

177. Taking paragraph 6, I presume that by the sentence "The profession of accountancy has not received the protection of Parliament by special legislation," you are suggesting that it needs that protection in order that the public may realise the skill of its members. That sentence and the preceding statements in the paragraph hang together?—That is so. It is very unfortunate, but if we had only had sufficient force behind us a few years ago, we should have had the profession established on the same lines as the principal learned professions; and this Committee would not have been troubled to go into the question to-day.

178. You refer to the professions of law, medicine and dentistry?—Yes.

179. I presume when they were first registered, the position was not exactly the same as it is with regard to the profession of accountancy at the present moment?—Well, I think with regard to dentistry things were pretty bad. Although I am getting on in years, I am afraid I cannot say very much in regard to what was the position of the others.

180. At the present moment, there are big Societies with well-known qualifications, whose members are recognised in the accountancy world ?—That is so.

181. You would not say that law, medicine and dentistry stand in exactly the same position as accountancy ? Take dentistry. It is more easy to define a dentist, is not it, than an accountant ? A dentist deals with teeth ?—Yes.

182. An accountant has a very large and varied area ?—I do see the difficulty. There are so many people in the world who call themselves accountants. If you take any big trading organisation in the City of London, there is a chief accountant, and then you will find accountants in charge of something else. When we are asking for registration, we are asking that there should be included on that register all persons who hold themselves out to practise the profession of a public accountant for remuneration. We are not seeking to monopolise the word "accountant" in so far as it relates to any internal organisation. What we are trying to do is to protect the public in regard to the man who sets up a practice and asks the public to trust him and confide their work to him.

183. Are you suggesting that the register should contain only those who are in practice ?—That is so.

184. To take your own Society, you have a membership of 5,225 ?—Yes.

185. Of whom 2,386 are in practice ?—Yes.

186. Do you suggest that the others who are not in practice would not be on the register ?—They would not be on the register. Our proposal is to set up a register of practising accountants; and then to prescribe the qualifications for going on to that register. We should ask to protect those members, the others who are not in practice, so as to enable them, when properly qualified, to go upon the register; but we only propose to register people who are in practice.

187. Taking your own Society, I presume there would be a large number of members who are not in practice who, from the class of work they are doing, would be equally qualified as accountants ?—I agree. I think that, in the draft Bill,* which we have annexed to our evidence, we have endeavoured to provide for that point. Section 6 you will see refers to persons entitled to be registered as professional accountants in England and Wales. In sub-section 1 (*a*), (*b*) and (*c*) will be found provision for the registering of persons who are chartered accountants, incorporated accountants, and persons who are neither the one nor the other. It sets out the terms of registration. We annexed this Bill because a very great deal of time was spent upon it. It actually passed the House of Lords and received very considerable commendation at the time from the Lord Chief Justice, the Lord Chancellor and others. It went down to the House of Commons and it was taken up by the Government of the day, when the present Viscount Buxton was at the head of the Board of Trade: but it failed to get passed into law because of want of time to push it through, as the Government had more important things in their opinion to attend to.

188. The fact that a man's name was on the register would give him a certain position, naturally ? —Exactly.

189. That is its aim ?—Yes.

190. Then, according to your suggestion, you would have a man of equal qualifications, or perhaps better qualifications, who would not be on the register ? —I think I would say yes; there might be some excellent men who were not on the register.

191. Men who are working for firms ?—Men holding appointments. We have come to the day when men holding appointments are commanding salaries which are probably in excess of anything they can earn by going into public practice. I think that applies to all professions: but their position would be safeguarded under our proposals.

192. As to paragraph 7, are there many complaints from the public as regards unqualified accountants ? You have put in certain information on that point ?—There is a selection of cases which came before us.

193. From various parts ?—From various parts. They were taken from actual cases.

194. These are selected cases which have been put forward; but would there be a considerable number of such cases ?—Yes, they are rather bad cases, which would perhaps hardly fail to be included in evidence like this. Many others could be given. One of the troubles of the time is the large number of people who call themselves Income Tax Experts, Income Tax Associations, and so on. Some of them, I want to be perfectly just, are quite reputable; but there is very great danger in others getting hold of people in regard to repayment claims.

195. Do you suggest that some amendment is needed in the Income Tax Act of 1918 ? I see you deal with it in paragraph 9. Are small societies springing up in order to meet the case under the Act ?—I cannot speak strongly enough personally against that provision in the Income Tax Acts. It was unfortunate. A member of our profession in the House of Commons suggested that some provision should be put into the Act: and Sir Robert Horne had the following words put in: "member of an incorporated society of accountants"; and it has been held to mean a member of any society incorporated under the Companies' Acts. So that all you have to do is to get a name which will pass the scrutiny of the Registrar of Companies, and form a small company limited by guarantee, and get people to join it; and the Inland Revenue cannot refuse to allow members of it to appear before them. I do not want to make an attack on the Inland Revenue—they do the best they can in the difficult position in which that Act has placed them.

196. (*Mr. Walker Clark*): Surely it is only the right to appear before the Commissioners ?—That is a very valuable privilege—I regard it as such.

197. That may be so, but they cannot compel the authorities, either the Commissioners or the Inspector, to receive the accounts which they present ?—Well, I think if you give a man a right to appear before a public body in this country—

198. It implies something ?—It implies something—that he is a person worthy of credence, and it means that the body before whom he appears has to take a very strong course not to hear him.

199. He is allowed to appear, but that is quite a different matter from submitting accounts ?—I submit with all respect if he is allowed to be heard and he is not a qualified man, it is very much to the detriment of the client who has to pay him. (*Mr. Walker Clark*): That is so.

200. (*Chairman*): With regard to paragraph 8, it is to eliminate those features that registration is sought ? Supposing registration was granted, it would take some time before you levelled up, so to speak ?—Yes, I am afraid it would, because Parliament must recognise the right of any man who is carrying on business at the time a particular Act is passed, but we have a proposal to meet that. Certain statements will have to be made by a person seeking registration, and they will be scrutinised by a Committee, but any Committee appointed will have to act judicially in regard to the persons it puts on the Register. You cannot deprive a man of his living, whatever it may be.

201. As to paragraph 12, has there been any public demand for registration ? You say, "The desirability has been recognised for many years" ?—The question of a public demand to-day is a very difficult question to answer. I do not find that the public interest themselves in anything beyond two or three different subjects which may be worked up by one of the well-known organs of the Press.

* Appendix J.

202. But if the public suffer from the want of it, would not there be a public demand ?—Well, if I may use the word, a popular demand, I should say no, because the general population do not concern themselves at all about this matter. I might add that public bodies and others who know about this subject do take an interest in it.

203. With regard to the end of that paragraph—you have already spoken of the Local Legislation Committee—have you any alternative in your mind, except registration, to deal with the point ?—No, I think I have to agree very largely with the statement of Sir Thomas Robinson, and I think it was also the opinion of Sir Walter Raine. I have not personally been before the present Chairman so that I cannot say anything with regard to his views. The former Chairman appeared to feel that there was no alternative between putting the names of one body or another into the Bill, and getting Parliament to lay down a qualification for the person whom it is sought to place in the position of auditor.

204. Would registration lead the public to think that there was an equality of skill on the part of those registered ?—I should hope not, because if it did I am afraid it would nullify a very great deal of the work we have done over a great number of years. I think we have already stated in our evidence we do not seek any legislation which will take away our designation which has stood the test of investigation for a long number of years. I think that point might be met, or could be met.

205. Do you think it is a point that probably from your point of view would have to be met ?—Yes, I think it is a matter that wants watching, certainly.

206. Supposing you had registration, your suggestion is that only practising accountants should be put on the Register ?—That is so.

207. Would those who had been doing the kind of work that these men have been doing and were not put on the Register be precluded from doing it ?—Yes.

208. Bank clerks and other people would be precluded from doing that work ?—They would not be able to sign their names as auditors or accountants on any document which would be issued.

209. That is a restriction ?—That is a restriction.

210. There would be a large class of men who would not be able to do the work they had been doing ?—No.

211. Take insurance companies and shipping companies whose work is done by their staff ?—It is certainly not our intention to interfere at all with private employment.

212. Not to interfere with it; but if the work is restricted to men on the Register it would interfere with it, would not it ?—Men who hold themselves out to the public as ready to undertake the business of an accountant every day are the people we are considering. There must be a holding out to the public. I have in my mind a large group of companies of which I am the chairman. We have a professional audit, but we maintain an internal audit all the year round by our own staff. Some of the men at the head of that staff are qualified men, but there are a number of men who are not qualified, but they are competent to do this particular sort of work. This work is all done internally and they are paid salaries and appear as ordinary persons in the employment of the company. We do not propose to interfere with anything of that sort. Might we go to the case of the big banks and insurance companies—they all maintain their internal audits.

213. You think it would not cause inconvenience or cause alarm, though I hardly like to use that word, to the public, if only practising accountants were on the Register and the accounts of big companies were prepared and signed by men who were not on the Register ? Your Register, as far as the public are concerned, is to show the public that there is a certain qualification and standard ?—Yes.

214. The public might think that men outside that standard were of a lesser standard ?—Men outside the standard of those on the Register, if I understand your question aright, could not do anything at all in so far as the public are concerned.

215. But they might sign the accounts of some shipping or insurance company ?—The position in practice to-day is you get the accounts of a large concern and they are often signed "John Jones, Chief Accountant."

216. Yes, but my point is that there is not a Register at the present moment ?—No; but then we do not propose to interfere with "John Jones" signing as the chief accountant of a company. He is an internal officer acting under the authority of the Directors of that company.

217. My point was, if you have a Register and you say that the people on the Register have certain qualifications, do not you, therefore, to a certain extent say to the public that everybody outside the Register has not got those qualifications ?—I do not think the man without the qualification will stand in the same position as the man who has got it, but that is coming about to-day in another way. These chief positions are being very much filled by men with a certain qualification. What we are trying to do is this—the Committee and ourselves, if I may venture to say so, are trying to reach the same end—is there any way by which we can protect the public ?

218. Your suggestion is a limited form of registration ?—My suggestion would go as far as this, that an unscrupulous person will not without the risk of prosecution be able to take money from the public for the performance of work he is not qualified to do.

219. (*Mr. Bellman*): The Chairman has referred to paragraph 2 of the second Memorandum where you refer to the fact that the economic life of this country "has demanded increasingly the services of professional accountants in the spheres of industry, commerce and finance." Then you go on: "This tendency is likely to increase as years go on." If this assumption is correct, and assuming for the time being that some form of registration will have to be provided, do you agree that it would be better to face the question of registration now rather than have to be meeting it in a few years time when the number of indifferently qualified accountants or indifferently qualified persons practising as accountants may have considerably increased ?—Yes.

220. Then you point out in paragraph 7 that "any person, be his qualifications what they may, can commence and continue in public practice as an accountant without compliance with any standard of professional skill and subject to no disciplinary control whatsoever." From this and from other portions of this Memorandum one may assume, I imagine, that you consider that, although, as you have stated this morning, there appears to be no popular demand for registration, the public interests are really endangered by what I imagine you would describe as the lack of central control ?—That is so.

221. Under the provisions of the Building Societies Act of 1894, as you probably know, an auditor of a Building Society has only to be a person who publicly carries on the business of an accountant. This loose and inadequate description would permit a wholly unqualified and unskilled person to vouch the accounts of one of these societies if the society through its members tolerated such an appointment ?—Certainly, there is no protection to the public whatever because

any man can put up on a doorpost "Public Accountant," and that I think would comply with that Act.

222. Then the Building Societies, which number approximately 1,000 and who have assets to-day of something like £300,000,000 may be said to be the depositories for the savings of the working and middle classes?—Yes.

223. Do you agree, such being the case, that these investors regard the Audit Certificate as the acid test of a Society's proper management?—Well, I wish I could agree with you. I am afraid that some of them are quite neglectful in the matter.

224. You must remember that these depositors and shareholders who are entrusting something like £300,000,000 to these Societies are generally very simple folk. They are not experienced investors?—No.

225. It would be naturally assumed that they do look at the Audit Certificate as something in the nature of hall-marking the accounts?—They do, and I am afraid that, outside the protection which is given them by the Registrar of Building Societies, they have not very much protection in the form of Audit Certificates.

226. While it is generally recognised that the great majority of audits of such societies are conducted either by a chartered or incorporated accountant, I take it you would welcome in the public interest a form of registration which would in time enable a new formula to be employed in the Act, and only properly qualified men permitted to vouch the accounts?—Certainly.

227. (*Mr. Branson*): You have said that the demand for skilled accountancy service is increasing. Have you any evidence that the number of unqualified practitioners is increasing in any way?—I have evidence that a number of societies are being set up which claim that their members are professionally qualified. They are increasing very much. They enrol members and they all say: "We are fully qualified to undertake this, that and the other." That is one of the troubles we have to face to-day.

228. Is not that very largely confined to this income tax point?—No, it is a matter we have had to fight continuously iu both Houses of Parliament. I am not alluding to one particular society. I do not want, if I can avoid it, to make an attack on any one particular society, but during the last two years I have been in front of Committees in respect of three societies. In regard to one of them the House of Lords struck their name out of the Bill and ordered them to pay nine-tenths of the costs of the promoters, so that that will give you an idea of what their Lordships' House thought in regard to that one society.

229. For the moment, I was speaking of the man who sets up as an income tax recoverer. Is he increasing?—Yes, there are a very considerable number of people like that. I know of one within a stone's throw of my office—I do not know the man personally—who calls himself So-and-so Income Tax Association. Underneath is his name, Mr. A.B.; Mr. A.B. is an undischarged bankrupt and he is the mainspring of that Association.

230. But he still may be an eminently qualified accountant?—That man an eminently qualified accountant?

231. By the knowledge he may have?—He cannot possess either the qualification of the Institute of Chartered Accountants or the Society of Incorporated Accountants because if a man is insolvent, off he goes at once.

232. True, but he may be a perfectly competent accountant, notwithstanding that he is an undischarged bankrupt?—Well, a man may be.

233. It may be pure misfortune, may it not?—A man may be competent, yes. History is always telling us that the question of a man's solvency or insolvency does not affect his competence.

234. That is all I am saying. As I understand it, your society supports registration with the primary object of enabling the public to know that it is getting competent service if it employs a man who calls himself an accountant; is that right?—I can assure the Committee that I did not come here for any other reason than that. There is no question of personal gain. I have had it on my mind for many years and I should like to see the solution.

235. In your draft Bill you suggest that a man may be qualified purely on experience without any examination?—Well, I do not know that we do that. If it is a case of experience without examination it is because he is in practice.

236. That is what I mean?—Simply because we cannot do anything else—we must take him for registration. I suppose everybody will admit he has got a right to come on the Register at the beginning. It would not continue—it is only for a limited period.

237. True, but for that period it will put him on the level with a member of your society?—It will level certain people up—I must admit that.

238. You cannot get away from that?—I cannot get away from that. It will level certain people up.

239. Has your Society ever endeavoured to arrive at a definition of professional accountant? Let me put it generally in this way. I see in your draft Bill you say, "'Professional accountant' means any person whose business or occupation is the performance of the functions of a professional or public accountant." I know the difficulty of it and I am asking for your help?—That is a definition which we got from the Bar. I believe the leading counsel who drafted that for us afterwards became Master of the Rolls. I am afraid I cannot give you anything better."

240. You see the difficulty of it. It says, "an actor is a man who acts."—Yes, I know the difficulty. I am afraid I cannot help you any more. It will be of interest to you to know that that definition was drafted by Mr. Cozens-Hardy, who became afterwards Master of the Rolls.

241. One question on the offences that come up. Taking Schedule I to your second Memorandum* the sort of offences which come before your disciplinary body are very largely offences against advertising, are they not?—Advertising, and occasionally more serious cases. You get occasionally a case of misappropriation, or something of that sort.

242. A very small percentage?—Very small. We have six or seven cases a year, but they are mostly the smaller class of offence where the man will be censured or, occasionally, suspended. The number of cases where we recommend the Council to remove a man's name from the Register would be about two a year.

243. Do you mind looking at your Case No. 6. This was a man who had no knowledge of accountancy. He had practised and took the boys on as apprentices. Just omit for the moment the fact that he ultimately received a term of imprisonment? Apart from that, that man would be qualified for registration, would he not?—If you omit the question of his conviction—well, do you mind referring me to the clause of the draft Bill which deals with it?

244. It is Clause 6 (*b*) by which you admit any person not a Member of the Institutes or Societies if within eighteen months he proves to the satisfaction of the Committee that he was in practice as

* Appendix G.

a professional accountant at the passing of the Act?—May I refer to Clause 11: "Power to refuse registration in certain cases"?

245. That is if he has been excluded from the membership of a society, or if he has been suspended?—Would you go on to sub-clause (*b*): "To have been guilty of any act or default discreditable to a professional accountant." He could be charged with any act or default.

246. But I am asking you to forget that he has been in prison?—It does not say to have been convicted, but "to have been guilty of any act or default discreditable to a professional accountant." He could be charged with any act or default.

247. But the only thing you have against this man is that he has an insufficient knowledge of accountancy?—No, does not it go further than that. He advertised for youths who wished to learn accountancy and charged them £50 premium for twelve months and he had a dozen youths with him at the same time. It is obvious. If I had a dozen boys in my office for whom I had received £50 apiece, *prima facie* I should be regarded as a very untrustworthy person who hoped only to obtain their money. (*Mr. Branson*): That answers me, I think.

248. (*Chairman*): It does answer the point on the individual case, but it raises the question of the difficulty of cases on the border line as to how you are to find out whether a man in really fit for registration. Suppose he had only got half the number of youths?—I was hoping that the draft Bill had met that point. I may say that in our own Society, under our regulations, we can bring a man before the Disciplinary Committee if he is charged with any act or conduct discreditable to an accountant either before or after his admission. We put that in for this reason:—A man fills up certain forms. He may not disclose certain things which are vital. You find them out afterwards. He cannot say to us, "That happened before I was admitted." We say, "No, we ought to have been informed of this and we shall go into the question now." I was rather hoping that there was something in the draft Bill which was on all fours with that, but if not, it is a matter which should be provided for. We do not want to put an untrustworthy person on, but I must say this—it would have to be some offence of which the Courts would take notice. You cannot deprive a man of his living, because that is what it amounts to, except on such evidence as would satisfy a Judge of the High Court.

249. (*Mr. Branson*): How do you propose to deal with a man who is a member of your society and who is the chief accountant or on the accountancy staff of a big concern such as the Asiatic Petroleum Company. I happen to know they have a large number there? If a man in that position is a Fellow of your Society and he is asked by his employers to give a certificate on the accounts, would you prevent him doing it?—He would have to apply for registration.

250. But he cannot—he is not practising?—Well, in that case I think I must say candidly he would not be able to certify—not under this Bill if it became law.

251. I am speaking of facts that I know?—Quite so, I am very glad you put it to me, because I am acquainted with similar people. We have endeavoured to put something before the Committee to be helpful, but we are not arrogant enough to say to the Committee that these proposals of ours must be regarded as in final shape. We only put before the Committee something which we hope will assist the Committee to come to a conclusion.

252. I am only asking you questions which I hope will find a key to a door which is now locked as far as I am able to see?—Thank you very much. I am very interested to answer if I can.

253. (*Mr. Walker Clark*): You admit women as well as men if they have equal qualifications?—Yes.

254. Would registration involve a fixed scale of fees and a fixed scale of wages?—I should say no.

255. It would not affect either?—No.

256. You have already answered Mr. Branson as to the position of chief clerks in large companies. How would those who are internal auditors of big corporations be affected?—They are employees of the corporation. They would not be affected at all.

257. They would not be eligible for registration?—We do not propose to interfere with any persons who are in employment carrying out the duties for which they are engaged. The audit staff are engaged for internal work and they report to their directors or their chief officials. It is rather a difficult subject, but might I say this. If their work comes before the public, it comes before the public at the instance of their employers and not at their own instance.

258. My point is really this. They have a retiring age now if they are Civil Servants?—Yes.

259. Many of these men accept public work on retiring from their public office?—Yes.

260. And are now eligible for membership of your Society?—Yes.

261. In this list I see several names of that kind?—Yes.

262. In your judgment or according to the Bill, they would not be able to register as public accountants?—If they are Members of my Society, if I may put it in that way, I and my colleagues would have been guilty of not looking after their interests if they could not come on the Register. They could not go on to the Register while they were in the employ of a corporation or a public body or a firm and receiving a fixed salary, but supposing they retired and wanted to practise, all they would have to do would be to apply to go on the Register.

263. That is the point I wanted to get at?—That is perfectly clear.

264. You would not disqualify them?—Not at all.

265. Simply because for five, ten or twenty years they had been employed in that way?—No, there is no intention, so far as men are concerned who are properly qualified to come on the Register, to put them in any worse position then they are in to-day.

266. You have referred to the fact that in 1911 you collaborated with the Institute of Chartered Accountants in presenting a Bill?—Yes.

267. Have you endeavoured to collaborate with the Institute recently in the presentation of a Bill?—I think I may say at the moment on the question of policy we are not in agreement.

268. You have tried to get agreement?—Yes. We have been in communication with each other, but they are definitely against a Registration Bill and we are in favour of it. That is the reason we cannot come here together.

269. I notice in my own town of Halifax you have twenty members and that of the twenty, eleven are clerks to the public authorities or to private companies?—That is so.

270. It is a very large proportion?—Yes.

271. What is the proportion generally?—In practice, 2,386, not in practice 2,839; so that if you take the whole of the Society there is a slight majority of those not in practice. Taking an office like my own there would be three of four Incorporated Accountants and possibly three or four Chartered Accountants.

272. Would registration mean a monopoly so far as public accountancy work was concerned?—I

think one must say yes, it would lead to the monopoly of public accountancy work in the hands of those whose names were on the Register.

273. It would be confined to those on the Register ?—I do not think we can dispute that.

274. Is there a desire on the part of your Society to limit entrants or are you prepared to accept youths with the intention of their entering the profession without any qualification other than being acceptable to the firm employing them ?—No, we do not attempt to limit the number of people coming in, except so far as this—they must undergo a course of training and pass their examinations so that we can say at the end of their time that they are properly qualified.

275. I will put it a little more bluntly. Do you insist upon a premium ?—No. Of course there are many of us who can command what premiums we think proper.

276. But, as an organisation, you do not insist upon them ?—As an organisation we do not insist on a premium. May I add this ? You will find a provision in our Regulations by which a young man may work his way right through as a paid clerk, but he has to serve about four or five years longer than he would if he were under articles. He need not pay anything at all—he can earn his living the whole time.

277. (*Mr. Warbreck Howell*) : Following that point up, is that the distinction between your Society and the Society of Chartered Accountants ?—Yes, their entrances are by articled clerkships only.

278. What is the trend in your Society on that point ? You say in your first Memorandum that you have 1,586 articled clerks and 1,952 other candidates ?—Yes.

279. Is the proportion of other candidates to articled clerks increasing or decreasing ?—I am afraid of my own knowledge I cannot answer that question. Mr. Hewetson Nelson will be able to do so.

280. As to the preliminary examination, I see you make provision for exemption ?—Yes.

281. With the articled clerks, do you insist upon preliminary examinations ?—There are certain certificates which exempt from preliminary examination. I have personally nothing to do with the examinations, but I can say this from my general knowledge that the number of youths who can present a certificate which will entitle them to exemption from preliminary examination is increasing every year. The preliminary examination has a tendency to decrease because the candidate does all that work before he turns his attention to a profession.

282. I want to ask you one or two questions with regard to an employee who is an accountant. When in your Analysis of Membership* you draw a distinction between those in practice and those not in practice, do you mean those who are holding themselves out, to use your expression, to the public as professional accountants ?—That is right.

283. And not those who are in employment ?—No.

284. Do you exclude retired persons ?—Well, if a man is retired and not doing anything he would not be in practice.

285. He is included in that second category ?—Not in practice.

286. Then the second category includes persons retired ?—May I say this. With us the line is distinctly marked. If a man practises he has to pay a practising subscription which is much higher than the non-practising subscription, so that we know exactly the number of our practising men. They apply to us for permission to practice and pay a practising subscription.

* Appendix E.

287. Can you stop them practising if they do not pay that subscription ?—Yes ; any man who does not pay his subscription goes right out of the Society—it is very peremptory.

288. Then the category of persons who are not in practice will include those who are in employment ?—Yes.

289. And those who are retired ?—Yes.

290. Are there any other categories ? Would it include those who have gone into other businesses ?—Yes, I have a friend of mine who is a member of the London Stock Exchange who is in our Society. He left accountancy for the Stock Exchange ; but sentiment keeps people in their original organisations and he does not want to leave. But he is a non-practising member of the Society.

291. Could you give me any idea of how many of the non-practising members are earning their living at accountancy as employees and how many are out of the business altogether ?—As employees, you would include, of course, those in an accountant's office as well as those in other businesses.

292. I should include whatever you would include. —I am afraid that is a question you will have to put to one of my colleagues. Might I add that for the last 10 years I have not been working on the details of this Society, but I believe the information you want is in the room.

293. Taking these persons who are employed, whether by Companies or Municipal Corporations or other Corporations, why should not they be registered ?—Because we do not see our way—probably the Committee can get over the difficulty that we cannot get over—to set up anything but a Register of Practising Accountants.

294. Why not ?—Well, because if you did anything else you would have to include on the register every person who is engaged as an accountant by any private firm or public company or public authority. You would have a register of every person who claimed to be an accountant, which is a very wide term.

295. That may be, but what is the objection to it ?—Perhaps I ought not to say this to the Committee, but I should find it impossible of solution.

296. Taking Solicitors engaged by municipal bodies and by large public companies which have their own Solicitor's Department, like railway companies ; there is no difficulty in those persons being members of the Law Society and amenable to the jurisdiction of the Law Society ?—I agree, but they all became Solicitors first before they were employed. (*Mr. Branson*) : They are only subject to the discipline of the Statutory Committee.

297. (*Mr. Warbreck Howell*) : Take the medical profession. There you have a very large and rapidly increasing number of professional men who accept employment under corporations and outside bodies. I do not see at the moment what the difficulty is. Supposing a man passes the necessary examinations and becomes a member of your body, and then he sees an advertisement for an Incorporated Accountant and secures employment with a Borough Council, or with some Corporation, why should he be struck off the Register ?—But he has never been on it.

298. Why should not he be registered ?—He would be registered in his own body—in his own society.

299. Why should not he be on the Register ?—The idea of this Register is not to disband the existing organisations : it is simply a Register of public practising accountants for the protection of the public.

300. (*The Chairman*) : You say for the protection of the public ?—Yes.

301. They would be protected against people who are on the Register ; but here you would be leaving out a large number of people against whom it is not thought necessary to protect the public ?—We should be leaving out these people, but what we cannot do is this—

302. (*Mr. Warbreck Howell*) : If a man confines himself to one client, instead of to a number, why should not he be on the Register ?—I have never been able to see my way to propose anything but a Register of public practising accountants. A Register such as you suggest to my mind is impracticable. That must be my answer.

303. What is the reason ?—Because you will have to make a monopoly of the word "accountant."

304. That is rather what you propose to do ?—No, a "practising accountant" is a very different thing. If you make a monopoly of the word "accountant" no one would be able to engage a man as an accountant for his private affairs in his own office unless he was on the Register. No company could engage an accountant and no firm could engage an accountant.

305. I thought that was the very thing you suggested ought not to happen ?—I suggest that ?

306. Yes : I thought that was your evidence—that nobody ought to offer their services as an accountant ? —As a practising accountant who holds himself out as willing to undertake for pay certain duties. Might I just quote the terms of reference to this Committee : "To consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed on a register established by law." I say this, if any one of you in your private capacity engage a man as an accountant, solely for your own work and pay him a salary, he does not come within the terms of this reference at all. He does not practice the profession of an accountant.

307. Is that so ? I still regard myself as practising the profession of a Sclicitor.—Because you were a Solicitor first.

308. That does not make any difference ?—Pardon me, I think it makes a very great difference. Take the case of our own members. There are many men who, as we term it, leave the profession and take private employment because of the strong inducements which private employers offer in these days.

309. You would not have those persons registered ? —No, not at this stage, but I would preserve their rights to apply for registration if they wanted to practise. That is just where the difference is. If they had obtained the proper qualification and they gave up their employment I would reserve their right to apply for registration. With regard to a Solicitor, a Solicitor who is in private employment does not take out a Certificate to practise, I think.

310. Yes.—Not always.

311. It depends entirely whether he is going to act on his own. If he is going to act in his own name for a client, he must do so.—Then he is practising. (*Mr. Warbreck Howell*) : Exactly, and I am practising, but I have only got one client.

312. (*The Chairman*) : You are putting a narrower sense than is intended I think on the word "practising." I do not see why you should restrict it in the way you are doing. You were rather suggesting that what one might call "practising accountants" are the only accountants engaged in the practice of the profession.—Public practice. (*Mr. Warbreck Howell*) : If we accepted that definition of our terms of reference, we should be limited in a way which would make our labours of very little value.

313. (*Mr. Wills*) : I do not think it was ever the intention of the Board of Trade to use the word "practice" in the sense in which it is used in the Analysis of Membership* : "in practice" and "not in practice." I do not think the Board of Trade were aware that you restricted the word practice in the sense it is restricted there ?—The first clause of our Memorandum on the Professional Accountants' Bill will, I hope, show the objects we have in view more clearly than I can explain them : "The object of this Bill is to organise the profession of accountant on the same lines as the professions of solicitor, surgeon, or physician, veterinary surgeon, and dentist, by forming registers of professional accountants and prohibiting any unregistered person from taking or using any name, title, &c., stating or implying that he is a professional accountant, and from holding himself out to the public as ready to undertake for pay the business of a professional accountant."

314. The terms of reference are not based on this Bill.—I agree ; I do not presume they are. I was reading the terms of reference, and the word "practice" is in them. I took the word "practice" in the Board of Trade Reference to mean the same thing as we mean.

315. It was not intended to.—I do want to say most specifically so far as my evidence is concerned—I do not know whether any of my colleagues will differ from me—I do not contemplate anything in the way of legislation which prevents a company or a firm from employing in their own department any person as an accountant. It might mean in my own office I should have to dismiss all clerks who have not any qualification that may be laid down in the Act of Parliament—we should not be able to have any unqualified clerks.

316. (*Mr. Warbreck Howell*) : That would entirely depend on the form that the Act took ?—Exactly.

317. There is no reason at all why accountants' clerks should not continue to be engaged just as solicitors' clerks are engaged in an office. They would not necessarily be registered clerks, but they would be clerks to registered accountants ?—Yes.

318. You would retain all your men under that designation ?—Yes, but then there is the case of a company and the private firm.

319. I gather your own objection to it is that you have not visualised it and you think it is impracticable ?—I must go further than that. Personally I am not in favour of it.

320. If you say that I must press you to tell me why. That is what I have been trying to get at for a little while.—Because the problem is almost an insoluble one.

321. With great respect that is an answer but it is not a reason.—Oh well.

322. Supposing we can solve it, do you wish to object ?—If you can solve it I shall be only too delighted to examine the solution.

323. With regard to the question of experience, you require from articled clerks five years' experience with accountants ?—Yes.

324. And from those who have not been articled, nine years ?—Yes.

325. It is quite clear that does give them adequate experience ?—Yes.

326. One of the difficulties with regard to accountants outside your own Society and the Chartered Institute and possibly some other bodies, I take it, is lack of experience ?—Yes, I should say so.

327. You said that nobody must be deprived of anything. I would like to know what you say with regard to any societies who at present admit to their ranks anybody who likes to apply without any of the supervision which you apply to persons who join your body. The result would be those societies would not grow in the future at all, though you would admit their present members ?—No, not all of them—certainly I would not.

328. You would draw a distinction between the members of those bodies you would admit and those

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you would exclude. It would mean a personal examination of each candidate ?—With regard to some of these bodies I should not recognise any qualification they confer at all.

329. With regard to others ?—I think that would be rather a question for the Committee. I am glad you have the responsibility and not myself.

330. You would suggest that other bodies should possibly be divided into two categories, some of which could not be recognised at all and others which might be recognised ?—Well, I think that any body which comes before this Committee has got to justify itself. I have had on behalf of this Society to justify the diploma of the Society in the Law Courts and other places.

331. It is a little difficult to ask you to say more than that perhaps. With regard to the three Bills which have been promoted, the first one I think you promoted in association with the Chartered Institute ?—I have the Bills in front of me and I will answer that quite generally if I may.

332. You can answer the question quite broadly. The first Bill you promoted in collaboration with the Chartered Accountants' Society ?—That is what I wanted to see. I think the first Bill of all was promoted by our Society alone.

333. Perhaps I ought to put it in this way. It included in it your Society and the Chartered Institute as bodies whose members should come on the register ?—Yes.

334. Then I think there was an objection taken by some of the older societies in Scotland ?—Yes. That objection was a friendly one, and we re-drafted the Bill so as to meet their views.

335. That was the second Bill ?—That was the second Bill. It is the second Bill you are asking me about, but, as a matter of fact, these Bills go right back to 1891. The Bill that you are referring to, I believe, is the one in our Memorandum—the last Bill of all, the Bill of 1911. It was introduced into the House of Lords by the Earl of Chichester on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors. It was amended in order to meet the views of the Scottish Chartered Accountants.

336. But was there not another Bill which included the London Society and one or two of the other Societies ?—I do not know that. That was not one of ours.

337. It was rather the history of that that I wanted to get.—There are various Bills from 1891 onwards.

338. Turning again to your definition of professional accountants, was it intended or expected that the definition in the Bill of 1911 should exclude or include such persons as auditors and actuaries ?—"Professional accountant" means any person whose business or occupation is the performance of the functions of professional or public accountants.

339. Take the auditor to begin with. Is he an accountant, in your view, within the meaning of that definition ?—Unfortunately, often he is not. I should think, if this Act passed, a man could not sign accounts as auditor unless he was on the Register.

340. In other words, you want a definition which would provide for an auditor and would not allow a man to call himself an auditor unless he was an accountant within the definition ?—Yes, I think I can say that. Then you put the word "actuary" to me just now. That is a distinct profession and a profession of very great skill indeed. I do not think they would object to anything we do.

341. You do not think it is necessary to provide for them ?—I do not think so. Their functions are so well understood, and they are a profession of distinction. We have never had a word from the Institute of Actuaries that they object to anything we propose.

342. They are, generally speaking, only appointed by persons who are qualified to decide whether the persons they employ are suitable for the purpose ?—Yes.

343. What about these Income Tax people ? Do you suggest that the definition should be wide enough to exclude those ?—I should suggest that the definition should be wide enough to prevent them making up accounts and presenting them to the Inland Revenue. What other duties they discharge I do not quite know, but I could not go further than deal with those people from the standpoint of their accountancy work.

344. You would want a definition which is wide enough to exclude people from doing that work unless they were on the Register ?—Yes, so far as they are doing accountancy work. If you were to introduce a Bill for presentation to Parliament I hope it would prevent people from compiling accounts for the taxpayer and presenting them to the Inland Revenue unless they were on the Register. That is one of the most fruitful sources of trouble at the present day to the public.

345. I am rather puzzled with your definition because it does not seem to me that it covers either of these two classes and I should have rather expected it would ?—Well, I am afraid the definition was put there by the lawyers for us.

346. Then there must be a good reason for it. Would you look at Clause 11 (3) (*d*) of your draft Bill ? What sort of businesses are incidental to or concerned with the practice of the profession of an accountant ? What have you in mind ? What combination is there that is common ?—Well, I am afraid my mind is hardly on it. I find so much to do in regard to accountancy and auditing that I do not contemplate anything outside it myself. I think that is rather put there as a matter of safeguard. I do not know whether some of my colleagues could deal with it.

347. Assume for a moment you get a properly qualified accountant who is on the Register, is there any objection to his engaging in any other kind of business ?—I do remember in my early days a gentleman who combined the business of professional accountant with that of hairdressing.

348. What do you say to that ?—It does not tend to raise the profession in the minds of the public if a man who cuts your hair says :—"I can also audit your books" and is touting for business while he is performing on you.

349. There are all sorts of people driving cabs to-day. You get a good many ups and downs of that kind. What would be the position if you had a member of your Society engaged in business—do you raise any objection to it at all ?—If he is in practice, yes. It is done with the idea of maintaining a certain standard of conduct.

350. Supposing you had a member who had been collecting rent and was acting as property manager or estate agent, which does not seem impossible in some cases, would you raise any objection to that ?—I should personally raise an objection to his holding himself out to the public as an estate agent. As a matter of fact, you have to do a certain amount of that kind of work when you are appointed Receiver under the Court. You cannot dispossess yourself of it if you take certain appointments under the High Courts of Justice.

351. You say personally you would raise an objection. What would your Society do ? Would they, or could they, take steps against one of your members doing that class of work ?—Yes. If the man declared himself as an estate agent as well as an accountant when he obtained membership he would be allowed to continue that work, but we do not allow our members to add to their practice other occupations.

352. Have you power to strike them off your lists of members ?—I must not go further than that. It would be a subject for investigation.

353. But that is as far as you have gone. You say you do not allow it, which means you strike them off ?—A man is bound to confine himself to the work which he declares he is carrying on when he obtains membership. One must not read into this really more than is put down in the Regulations. The circumstances of business are constantly changing and things have very much changed since the War. We do not object to a member of our Society being a director of a company, and I do not think any other profession does.

354. That was the instance I was just going to give. Are not there members of your Society who are managing directors of companies ?—I do not think so, unless they are finance companies—certainly finance companies, yes.

355. But if there was any recommendation from this Committee for any legislation, would you consider it necessary to include any provision confining the business of persons who hold themselves out as professional accountants to that particular work ?—Well, I would rather not answer that question without consideration. It is too far-reaching.

356. It is raised in your Bill ?—Yes.

357. It is a point which will have to have consideration from us ?—Well, I went into this at the time but I think even now I would rather not be pressed for an answer without having a little more opportunity of considering it.

358. As to the decision of the Local Legislation Committee in the Cardiff case, do I understand you did not petition ?—We petitioned, but in view of the sitting of this Committee we instructed Counsel to make the statement to the Committee which I have read.

359. But on that what happened ?—We withdrew from taking part—we did not oppose. We withdrew our opposition in view of the sitting of this Committee, because we considered that this Committee was going into the whole question.

360. (*Mr. Scott*): As to this question of limiting occupations of accountants, may I take it you would not seriously object to the members of the Chartered Body, or members of your own Society, being directors of industrial companies ?—No.

361. You are aware that, at the present time, industries being in the condition in which they are, it is very desirable indeed that the services of properly qualified accountants should be available in reconstruction schemes, or in the administration of these large industrial concerns ?—My answer is if I objected I should be axeing myself. I must plead guilty to being a director of more than one company.

362. So that you are not disposed to that extent to restrict the functions of accountants ?—No. There is a generally accepted standard in commercial and public life. What we are searching for here is to maintain that standard. That is the ideal. When you bring me to consider the exact form of words, I find it is a little difficult to put down some definite formula without giving it a lot of consideration, but what I want is this. I want every man who holds himself out to the public as being a professional or practising accountant to conform to a certain standard of conduct which is generally accepted by commercial and professional people.

363. I do not think there is any difference of opinion there. May we come back to the main point at issue ? I think we are agreed there is a distinct cleavage between the views of your Society and that of a number of other Societies—at any rate between yourself and the Chartered Institute on the question of registration, for instance ?—I have not seen the evidence of the Scottish Chartered Accountants, but I do know definitely as between our friends the Institute of Chartered Accountants and ourselves, there is a distinct cleavage.

364. So far as you are concerned, you do not anticipate that there will be any danger to your particular Society in registration by levelling up in the minds of the public the other societies which are comparatively unknown if they succeed in getting their members on the register ?—I think that for legislation of this sort some price will have to be paid.

365. That is the point ?—I think so. If one were going to look at this matter from an absolutely selfish standpoint, I would say that I do not see that my friends and myself have very much to gain by it. But there is this question. We are the trustees for a large number of people, especially a number of young men. If some of my friends and myself had been able to settle this question a quarter of a century ago we should have been in a very different position to-day. I do not see that anything has happened to make me say that my past conduct in relation to registration is wrong. I cannot turn my back on it, although I do not see that there is any personal advantage to be gained out of it.

366. May I take it that neither your Society nor the Institute has anything to gain by the question of registration ?—You may.

367. You agree ?—Yes, I do agree.

368. It comes to be a question of these other societies which are very little known to the public and whose practice is a comparatively restricted one. They do accountancy work in certain fields of a restricted nature, or they do it for people in a comparatively small way of business, who are not as a rule very careful as to what accountants they employ, and therefore they take anybody who holds himself out as an accountant. Do you think that the provisions in your Bill for registration will be sufficient to prevent any abuse of registration ? Under the Bill you give power to the Registration Committee to lay down certain conditions as to anybody who is not a member of a well-known society getting registration. I assume you think under this clause of this Bill any member of these less known societies who was anxious to secure registration would be able to get it ?—Yes, on the conditions laid down.

369. But he would only be able to get it provided he levelled himself up by practising accountancy work and also by educational qualifications to the standard of the Society ?—I do not think it goes so far as that. He has to prove that he is in public practice.

370. I think the clause in the Bill stipulates for a little more than that. You would require educational qualifications would not you ?—May I refer to the clause : "Any person who (although not a member of any of the institutes or societies mentioned in sub-clause (*a*) hereof) shall within six months from the passing of this Act give notice in writing to the English Committee, and within 18 months from the passing of this Act prove to the satisfaction of the English Committee that he was in practice as a professional accountant in England or in Wales at the passing of this Act, subject nevertheless to the provisions of the section of this Act whereof the marginal note is 'Power to refuse registration in certain cases'." That power to refuse I think I dealt with in reply to questions put to me by Mr. Branson. But any person who is actually in practice at the pssing of the Act will be entitled to say to the Registrar, "I am in practice and I can prove it." If he were in practice and could prove it, subject to his being a person of good conduct, he would have to be put on the register. If he had the minimum qualifications he would have to go on.

371. Do you support registration as a public accountant of such a man. You would not care to employ such a man yourself ?—I quite agree, but if

this law is to be passed, I venture to submit to the Committee that nothing else is practicable. I do not see how we can say to any man: "You were in the year 1930 lawfully carrying on a certain business in England and Wales. You shall not carry on that business any longer."

372. But is not there an alternative to that in this way. All those who are by education fit to come forward for registration and have also practised as accountants could come forward and be registered immediately. But there are many others connected with these societies who could not possibly come up to that standard ?—Quite so.

373. Would not it be very objectionable if you gave immediate registration to those ? Why not make it a conditional thing—for instance say that all members of your Body and all members of the Chartered Body, and the best known societies, should be entitled to be registered as public accountants if they wished ? By that plan they would keep their own special designation of C.A's, and so on, by which they are known to the public ?—Yes.

374. Would not it be sufficient if you allowed registration as a hall mark to members of those inferior societies who had special qualifications, both educational and practising ?—That would mean you would have to institute an examination of certain persons who are now carrying on business in this country, and are entitled to carry on business, and then if they did not pass you would say, "You shall not carry on that business any longer."

375. I did not say that. They would simply continue as they are at present, but they would not be entitled to call themselves registered public accountants. Is there any objection to that ?—I do not see there is much in what they call themselves so long as you do not take a man's living away. We may all have views in this room but we have to consider what views are practicable.

376. There are certain recognised societies, as things stand at present, which the public know well, with good qualifications ?—Yes.

377. There are a number of other societies where the members have very small qualifications in the proper sense of accountancy. I can understand the contention of some of the Chartered people, that they think they would lose more by giving this hall-mark of registration to such people as these. I was supposing we did not give it to them until they became more or less up to your standard. They have got on well enought at present without it. Why should not they continue ?—If the Committee think that everything is going on well as it is, then I assume its Report will be in the negative.

378. Excuse me, I did not by any means suggest that. I mean we may create a danger to the public if we confer a hall-mark of registration on certain people who have only a limited knowledge of accountancy and have little education. It might make things worse than they are ?—My point is this. If we had a Registration Act, we should bring all this business to an end. Whether we, who are in the thick of it, would benefit or not is quite another question, but there would be an end of it. We should be legislating for the benefit of those who are to come after. If we had only dealt with the question with greater zeal 30 or 40 years ago, all this trouble would have gone by this time. I cannot, for the life of me, see that there is any justification for continuing a state of things because it is going to create for us some trouble.

379. After all, accountants might get along without anything being done in the way of registration so far as you and similar societies are concerned, but the disadvantage to the public is that there is no control over any people forming themselves into a society and calling themselves accountants of some kind or other ?—I agree.

380. This suggestion of registration is for the purpose of putting some guard on that ?—Yes.

381. It is nothing to do with your Society or with the Institute ?—No.

382. It is with regard to these minor and unqualified people ?—Yes.

383. Would not it be better to insist right away, as a corollary of registration, that a national council of some kind, something like what is foreshadowed in your Bill, the English Committee with the qualification set down there, should be set up which would be sufficient to prevent any except those who are moderately well qualified getting the title—you could leave all these societies out of account ?—Very well. You pass the Act and you will have to put these people somewhere and their qualifications. How will anybody know they are entitled to continue practising unless they are put into some schedule.

384. They will come up for examinations, as stated in this Bill. They will be judged whether they are fit for qualification or not by the English Committee, and the Scottish Committee will have powers for that purpose. If they do not appear to be qualified then let them continue as they are. As far as the public are concerned, they would then know that so and so was not a registered public accountant, which would be a gain to the public ?—Certain persons would be entitled to continue practising as accountants, but they would not be placed on the register and would be put in the schedule. Do I follow it aright ?

385. They would not be entitled to the special designation, but whether they should be entitled to call themselves accountants is another question. You would not debar them from doing a certain amount of work ?—So long as their living is not taken away from them—I could not subscribe to that—the particular machinery does not interest me so much.

386. It is a very small matter to your Society ? It is really the public who are concerned here ?—What I feel is this. If any proposals were to be put to Parliament that a man who was lawfully carrying on his business here is to have that business taken away from him, then Parliament would turn it down at once whatever authority is behind it. If you put it in another way and say you will put certain people in schedules, then personally I do not mind what is done in that way.

387. In the same way in the medical world and the legal world, you have men with certain qualifications who cannot carry on certain duties unless they have paid certain fees ?—Really that is all machinery.

388. The public discriminate between them as they discriminate between you and one of the inferior societies ?—If I may respectfully say so, you and I agree on the principle, but it is only a question of machinery, and that I do not mind so much.

389. Except on this point, where I do see a difficulty in the minds of the witnesses. Some witnesses seem to think if you adopt registration it is necessary that you should adopt it in full at once and rope in all the members of these inferior societies indiscriminately. Obviously some of them are not qualified, and it would be a danger to the public if they were registered as public accountants. Then why not limit registration to members of the Societies who can prove to the National Committee that they are entitled to qualify ? That is my point ?—I see what you mean.

390. (*Mr. Wills*): I think you said in connection with the Cardiff Bill that there were only two alternatives—either to enumerate a number of societies in the audit clause or to have registration ?—Yes.

391. Is not there the third alternative of omitting that particular part of the clause which dealt with the question of the qualification ?—If you omit the clause have not you to fall back on the elective auditor who is not bound to have qualifications of any sort or kind ?

392. This is a matter rather for the Ministry of Health and I am not familiar with the Cardiff Bill, but the same point has arisen on Bills relating to statutory companies. Do you see any objection to the omission of the clause as to the qualification of auditors ?—Yes, decidedly. This matter has been fought out since the year 1894 when a Joint Committee of both Houses of Parliament objected to this elective auditor business, and they recommended there should be a general statute prescribing the qualification of auditors. That was not given effect to, so we have had these Bills Session after Session and fought them all out.

393. As you are aware, there is nothing in the Companies' Act which requires auditors of a public company to have any special qualifications ?—That is so; but, if I may say so, commercial men are more careful in these matters than ratepayers are.

394. But some limited companies registered under the Companies' Act are very important concerns—quite as important as many statutory companies ?—Well, I do not know of any company of any importance whatever where the auditor is not a qualified man.

395. I am not suggesting for a moment that that is not the case; but what I am saying is there is no Act of Parliament or anything in the Memorandum and Articles requiring that auditors shall have qualifications. It is left to the discretion of the Company to appoint qualified men ?—I am in a position to answer that. I was a member of the Companies' Act Committee, and we considered the question of the audit clause. Simply because of the immense trouble we were having in Parliament over this very question, we decided to leave it alone because we did not consider the public interest suffered. We had no cases before us where it was shown that unqualified persons were auditing the accounts of limited companies, and, therefore, we let the whole question alone.

396. (*Chairman*): The companies take care that they should have properly qualified men ?—Yes.

397. (*Mr. Wills*): Could not corporations and other concerns be left to take care of that, as companies do ?—I do not think so. I have knowledge of cases where men have put up as elective auditors and have got a few people to vote for them. Probably 10 per cent. of the ratepayers will go and vote for the elective auditors and 90 per cent. will not take any notice of the matter at all.

398. You draw a distinction between municipal corporations and statutory companies ?—I do not want to do that. I have an enormous respect for municipal corporations and all the work they do. I do not want to use words that are slighting in regard to them; but put the ratepayers of a municipality against the shareholders of a company. The shareholders of a company are more careful as to the people who audit their accounts than ratepayers are. Ratepayers do not take any notice or bother themselves about it at all. Therefore, the corporations themselves have moved in Parliament to get properly qualified men.

399. When I said you draw a distinction, I merely meant you would think it necessary to have some safeguard ?—Yes; I have drawn a distinction as between ratepayers and shareholders.

400. You think safeguards are more necessary ?—I think so.

401. Do you think it would serve any useful purpose to have a register which was confined to auditors, using the word auditor in the sense of a watch-dog. You would not consider it practicable to include in your register all persons doing accountants work ?—All persons in "private employ": no—I want to get those words in. All persons doing accountancy work for the public should be on the register. There is another difficulty in using the word auditor. Our Society is called The Society of Incorporated Accountants and Auditors; but it is held by many that the duties of auditor are only part of the duties of accountants and I think if you confine it to the word auditor you would omit a very large proportion of the duties of an accountant.

402. I used the word auditor in the sense of a watch-dog. A distinction has been drawn between the accountant appointed at the general meeting of a company to audit the company's books and the accountant in the permanent employment of the company ?—One gets an immense amount of work given to one as an accountant. Take the case of the Law Courts. You go to the Judges in the Chancery Division and say: "I want the appointment of a Receiver." A name is suggested, and they say: "Who is he ?" He is generally an accountant. They say what are his qualifications, and so on. They appoint him. We have to consider all those cases in regard to the register of accountants. I do not think the use of the word auditor would meet the situation.

403. I do not mind about the word so much, but it is rather the distinction in duties ?—The duties of an auditor.

404. Yes; what I had in mind was that it might be desirable—I do not know whether it would be desirable and it might be quite undesirable—to have a register of watch-dogs—of the sort of people who have to audit the accounts of Friendly Societies and Building Societies ?—A register of auditors.

405. In the interests of the members, to keep a check on the accountants who are employed by the Society or company ?—Well, you would exclude all those gentlemen who make up accounts for the Inland Revenue. They are not auditors, and they do not profess to be. They take very good care, a great many of them, that they do not sign the accounts.

406. It would also exclude the people who write up books for tradesmen. They would be doing that work merely for the tradesmen himself ?—If they did it as public accountants, of course they would come in under the proposed Act.

407. Quite so. Do you see any useful purpose in limiting your list to auditors in the sense in which I have used the word, as watch-dogs, or do you think that, from the point of view of the public, it is more necessary to have a register of the other type of people, people who are employed by the tradesman to write up his books ?—No. I feel quite sure, in my own mind, that if we limit it to auditors in the way you suggest so far as the purpose we have in view is concerned the Act would be useless.

408. I thought you would probably say that. Those are just the cases in which you would trust the parties concerned to appoint properly qualified people ?—Yes.

409. There is really no necessity for an Act of Parliament to deal with it ?—Not in those cases.

(*The examination of Sir James Martin terminated.*)

Mr. HENRY MORGAN examined.

410. (*Chairman*): Is there anything you would like to say as a preliminary ?—There is very little I wish to say. My experience in the profession is very short compared with that of Sir James Martin. I qualified in 1904. I at once set up in public practice. I have carried on practice as a professional accountant in the City of London up to the present time. At present, I am the President of the Society of Incorporated Accountants and Auditors.

411. In your opinion, is there any demand on the part of commerce or industry for registration ?—I do find within my own experience continually that people are misled by unqualified accountants. It is, of course, difficult to point to any definite public demand, but cases come up continuously. May I mention one ? Recently a client came into my office and introduced a man he knew who had a business which he wanted to sell. He wanted to know whether among my circle of clients I would find the money for it. He produced the accounts for five years. I pointed out that the profits shown did not justify the price he was asking. He replied that his profits were a great deal more than those shown. I asked him for an explanation, and he then told me that in order to avoid income tax a considerable amount of his receipts had not been shown in his books—and he added that his accountant would support his statement. That was quite recently. This was a case in which an accountant was prepared to assert that the profits were more than what had been submitted to the Inland Revenue. That accountant is assisting the man to defraud the Revenue. He is robbing me. I am a member of the public.

412. He was a practising accountant ?—A practising accountant. He was not a member of our Society nor of the Institute.

413. He was a man who would as a practising accountant if anything like that happened have been put on the Register under this scheme ?—That is so.

414. (*Mr. Bellman*): I have a question which relates to paragraph 11 of your second Memorandum, where reference is made in the last sentence to "disciplinary control." I suppose you have not formed any idea as to the total number of accountants who would probably be entitled to claim some form of registration ?—It is very difficult to say. We know that members of what I may call minor bodies are very numerous. From my own knowledge, I can say that by far the greater proportion of the members of those bodies are not in practice as accountants. They are clerks to companies or secretaries to companies or in commercial concerns. They are not "practising" as generally understood.

415. The point I wanted to make in particular was this. It has been suggested it may prove a very difficult thing to have effective discipline over a large body of registered accountants. Do you think, from your experience as a member of the Disciplinary Committee of your own Society, that an extended register of accountants would make it a very difficult thing to maintain effective discipline ?—No, I do not think so, because if registration were to come about there would, I think, be a large reduction in the number of cases which would require to be controlled in that way.

416. (*Mr. Walker Clark*): Was the man to whom you have just alluded to as an accountant a member of any recognised society ?—One of the minor bodies.

417. He was a member ?—Yes: well, he signs himself so. I have not looked up their list to verify it.

418. (*Mr. Warbreck Howell*): If any register were to be established it would be necessary to provide from the date of the passing of the Act that nobody in future should come upon the register without having certain qualifications ?—Yes, that is our view.

419. You would have then existing, prior to the coming into operation of the Act, a class of persons part of whom were unquestionably qualified such as members of your own Society and possibly other Societies, and the remainder who may be either members of what you call minor societies, or who might possibly not be members of any society at all ?—That is so.

420. Would it be possible to collect those persons in some way by requiring that any person in practice at the date of the passing of the Act who desired his name to be included in the schedule should make an application so that he might go into the schedule, which would thereupon close the list of all possible candidates for registration once and for all. There might be some method by which that list of applicants could be sifted and either admitted or not admitted according to their qualifications. Do you think any scheme of that kind would be possible ?—It might be possible; it does appear to me that there are difficulties. Take men who belong to no body whatsoever, but who have been in practice quite a number of years. I do know that there is a number of that type; men who carry on, especially in small country towns, quite a reputable practice. To require those men who are getting on in years to submit themselves to an examination as a condition of continuing on the register might create a very great hardship.

421. I did not necessarily mean that. I appreciate there may be cases of that kind. What I had in mind was this. Include first of all the obviously qualified section; then collect the whole of the rest—by means of an application which they would have to make by a certain date—into a pool and then close the door, so that for the future you have got rid of any difficulty at all. All people in future would have to come under the ordinary qualifications laid down, either examinations or experience under articles, or whatever the test might be. Then, in respect of the pool, there should be some system by which those persons should be admitted or not admitted to the register according to their qualifications. There is the man who has established a good practice, although he is what you may call a quack. He might or might not be admitted by the sanction of the Committee or whoever was charged with the admission of persons to the register. On the other hand there might be some who on inquiry it would be decided not to admit, possibly because of their very short experience. They might be admitted at a later date. There might be some system by which that pool could be analysed and proper cases put on the register immediately, others after a probationary period, and others perhaps excluded altogether ?—Yes, such a scheme might be possible, but I still say that it might be a great hardship in certain cases. It does appear to me that the objection which such a scheme might be intended to meet is already provided for under our Bill, because we put forward the view that members of the Institute and the Society should still continue to practise under their present designations. They would still be incorporated. They would still be chartered. The public, by reason of that fact, would be able to draw a distinction between men who were qualified by membership of these two bodies and men who come on the register by reason of this provision for the taking in of practising accountants at the commencement of the Act.

422. There does appear in some of your evidence to be an objection to allowing all persons who are practising accountants at the moment to be put straight on to the register—I mean the gentleman you have just referred to ?—Yes, we should like to see what you suggest, if it were possible. As Sir James Martin said, we realise some price has got to be paid. It is not going to benefit our Society or the Institute immediately—possibly not very much for some years to come; but, eventually, it must have the effect of purging the profession from features which are really so unsatisfactory to-day. We shall gradually weed out these men. When the Institute was formed it had

to take in a large number of people whom it would never consider as members to-day; but in the course of years all those people dropped out.

423. When your Society was formed, unlike when a great many other professional associations were formed, there were not a great many people practising. Their services were not required to the same extent as at present—the amounts involved were nothing like what they are to-day ?—I remember when I started practice a great many people who employ professional accountants to-day never thought of having an accountant. It was a luxury quite undreamt of. They used to fill up their own Income Tax returns. Hardly anybody does that today. It is a very complicated matter to settle profits for the purposes of Income Tax.

424. Do you really say that you would recommend this Committee to suggest that everyone who has at the moment a plate up calling himself an Accountant should be registered ?—I think that is about the only practicable plan; otherwise we are going to be met with the objection that we are depriving a great many people of a living which they are obtaining from the practice of accountancy today.

425. But why deprive them of their living ? Let them go on. You could have the pool that I mentioned and say, "You may become a Member of the Register." Then let the others go on exactly as they are now. There would be no more. But you do not propose to interfere with them at all. That would meet the objections which were put forward today. It would stop the formation of all these new associations of accountants and would gradually put an end to the members of those bodies who were not properly qualified ?—I quite agree.

426. You would have on the Register the members of the Chartered Society and your own Society and others who could satisfy the Committee that they were entitled to come on the Register. Then you would have the remainder of the pool who would go on practising as accountants. There would never be any more and gradually that would work off the incompetent ones ?—Yes, I think that is a view which my Society would be very willing to adopt because it does create one class of professional accountant in regard to which there is no reasonable question as to their qualifications.

(*The examination of Mr. Henry Morgan terminated.*)

Mr. C. HEWETSON NELSON, J.P., examined.

427. (*Chairman*): Have you anything you would like to say to us ?—There were two or three questions asked which perhaps I can reply to as Chairman of the Board of Examiners. The first question was as to the number of candidates that came through articles of clerkship and the number of candidates who sat who were not articled. The reply to that is that the numbers are about equal—fifty-fifty. The next question was with regard to the percentage of members not in practice in our list and not holding appointments as accountants to companies or corporation, or as clerks to public accountants. The reply to that is that the number is extremely small indeed and includes mainly those who have been members, but have ceased to practise and have maintained their membership of the Society. You get an illustration of that in the Society's Year Book in the case of a member who was a practising accountant and then went to the more remunerative business of the Stock Exchange, but has always maintained his membership of the Society. There are several cases of that kind, but the number is extremely small. I think those are the only two questions that were referred to me by Sir James.

428. Are the candidates which come up for examination at the present moment of a high class as regards their knowledge and intelligence ?—I think so—very high.

429. Is it increasingly so ?—Undoubtedly. You will see from the tables* that in 1920 we passed 67 per cent., and in 1929 we only passed 46 per cent. in the Final Examination, which is the ultimate test. You will observe from the names of our Examiners in the Year Book that it is a very strong Board of Examiners. We take as much pains in the setting of the questions as we do in the marking, that is to say, when each Examiner has set his questions and they are sent into the Secretary and printed, the whole bundle of questions comprising that examination is sent out to each Examiner. We then have a meeting of the Board and we go through each Examiner's questions, and if any question appears to us to be the sort of question which ought not to be asked, it is deleted by the Board. If any question appears to us to be unfair to the candidate it is deleted by the Board. Then, when the work of the Examiners is completed and the schedule sent in, we meet again as a Board, consider the whole of the results, and make our recommendations to the Examination Committee of the Society, which is a different Committee, and they finally confirm or otherwise the recommendations of the Board. Speaking with about sixteen years' experience of the work of that Board, I consider the work is very well done.

430. (*Mr. Bellman*): In one of your replies to the Chairman you referred to the quality of the candidates for examination. I take it you suggest that the quality is perhaps higher than it was ten years ago ?—There is no question about it.

431. The percentage of passes being on the decrease would suggest that the standard of the Examination is much higher ?—I agree.

432. A candidate having failed to pass his Final is entitled to try again; for how many times ?—As many as he pleases.

433. Indefinitely ?—We have some who have been up for the Final five or six times. Some have been fortunate enough to get through the sixth, and some have ceased to come, but there is no limit to the number of times they may apply to sit.

434. (*Mr. Walker Clark*): Do those who fail in your examination sometimes succeed in getting into another organisation where the gate is rather easier of access ?—I believe we have given evidence which demonstrates that fact before one of the Local Legislation Committees.

435. That is your considered opinion ?—Yes, I think there is no question about it.

436. (*Mr. Warbreck Howell*): I have been looking at the number of candidates which pass the Final and comparing them with the number which pass the Preliminary. The number who pass the Preliminary Examination is smaller, but the number who pass the Final is increasing. You have certain exempted examinations ?—Yes.

437. Such as Matriculation ?—They are all set out in the Syllabus, which has been circulated. The majority of our Preliminary men go through equivalent examinations and not through our own.

438. The figures given by you are those who pass your own Preliminary Examination ?—Yes.

439. It does not mean that the balance are exempted ?—No.

* Appendix E.

440. It means that the great bulk of the balance will have passed some qualifying examination ?—Yes.

441. Which exempts them from yours ?—Yes.

442. What proportion of those who are now coming in to the profession are exempted completely from your preliminary test ?—On an equivalent certificate, do you mean ?

443. No, without any ?—None. They must take the Preliminary examination of the Society unless they produce one of the equivalent certificates set out in the Regulations.

444. They must have one or the other ?—They must. We must judge their general educational fitness.

445. You say in paragraph 5 of your first Memorandum that you have 1,586 articled clerks and 1,952 other candidates. What is the trend of that ? Is the proportion of articled to non-articled increasing or decreasing ?—It is about equal.

446. At the moment ?—At the moment.

447. What is the trend ?—I should think the trend was probably very slightly in favour of the articles—to the extent of not more than 1 per cent. or 2 per cent. at the outside.

448. Are most of those who are not under articles what you might call the bright type of boy, who comes into the office and attracts the attention of the principals and shows he is worthy of being helped on ?—Yes.

449. Does he get through in that way ?—Yes. All candidates must be able to comply with our Schedules. We require them to give us details of the whole of their professional experience. That means in accountancy. We do not take any other experience into account. They have got to give us the whole of their history so that we can trace wherever it may be.

450. (*Mr. Scott*): Would you say that the examination standard of your Society was equal to the standard set up by the various Chartered Societies in England and Scotland ?—Without hesitation. As a matter of fact, we were the first Society to introduce Economics and Statistics into an accountant's examination.

451. You will agree with Sir James that, with the growing responsibilities of the accountancy profession in connection with the industrial world, it is an inevitable and desirable fact that the qualifications educationally of those in your profession should be gradually steepened ?—Yes.

452. In the case of these inferior societies, where the practical qualifications are more limited and the educational qualifications still more limited, do you see any danger to the public in registration ?—The immediate danger may be there; but I am persuaded that the ultimate gain will outweigh any present disadvantages.

453. Would it not avoid any question of that kind if you only extended registration to those members of these inferior societies who could prove to a National Board that they had the educational and practical qualifications ?—I should think that ultimately that might contain a danger.

454. What danger ?—I do not mean at the moment, but in the course of a quarter of a century—it does not really settle the question in my mind.

455. Is not the whole point here the question of eliminating, so far as the public are concerned, the danger of unqualified men ?—Precisely.

456. First of all, you could limit very seriously those who can, out of the said societies, get the qualification, and allow the others to stand back ?—You mean to allow the Chartered and Incorporated to stand back ?

457. No, all those in the Chartered Societies, and in your own, would automatically be entitled to register themselves as public accountants; but the whole question is the danger with regard to these inferior men ?—I quite agree.

458. Members of inferior societies whose qualifications are small ?—Yes.

459. If a registration Bill is introduced, would not it be necessary that we should stress the qualifications of registration, as was allowed by the last witness, Mr. Morgan—I think he admitted that ? There would be a danger from registration, and you would require to restrict those who did get registration ?—Restrict it to whom ?

460. Restrict it to those who could prove to this National Board that they were qualified ?—Yes, to what we call the Register Committee.

461. Yes ?—They have to be satisfied that the person concerned is carrying on a genuine business as an accountant.

462. Otherwise, you do admit that you might confer a prestige on these very badly qualified men which they do not deserve ?—I agree.

463. A prestige in the eyes of the public ?—Yes; but if the Bill goes through, that will happen.

464. It does not affect your own and the Chartered Societies, but it is a question of these inferior men ?—I agree.

465. It would be desirable, if possible, to limit those who come within the scope of registration ?—Yes, as far as practicable.

(*The examination of Mr. C. Hewetson Nelson terminated.*)

Mr. R. WILSON BARTLETT, J.P., examined.

466. (*Chairman*): Have you any remark to make ?—Well, after the very exhaustive examination of Sir James Martin and the other witnesses, I am afraid I have very little to add, with the exception of one point, namely, that possibly this matter does affect the Provinces a little more than it does the City of London. I think you have the case of the small man and the small trader more prominent in the Provinces than in the City.

467. It does affect them more ?—I think it does.

468. Do you mean for the reason that they are more in need of protection ?—Yes.

469. The dangers to them of unqualified people are greater ?—They are greater in the Provinces than in the City.

470. Because there are fewer qualified and more unqualified ?—Yes; and there is less discrimination shewn.

471. Owing to the psychology of the Provincial ?—Yes, I think very largely.

472. Have you many cases in mind ?—Yes, I have many cases in mind.

473. If you had registration, and you desire to put on the register men who were in practice, there is a danger of undesirable men getting on the register, such as we have heard in one case to-day ?—There is a possible danger; and it would be a very difficult matter for the Register Committee to see that no undesirable person got on to that register. On the other hand, those men are to-day trading in many cases upon the public, whereas after you have once got a register, even if they get themselves upon the register, in future they would only be able to make one slip and they would come under the discipline of that Committee: but to-day they can make two or three or four slips, or go on ad lib, and there is no discipline whatever on those particular persons.

474. (*Mr. Warbreck Howell*): What exactly is the psychology of the Provincial which causes this ? Why should you think they are more in need of protection in the Provinces than in London ? You say there are small businesses and small people who want assistance more in the Provinces than in London ?—Yes. In many cases I think it is more a matter of friendship. They meet in social clubs and sport, and that kind of thing and become friends and solicit business and get it through friendship rather than on the qualifications they hold. I think that is more capable of being put into practice in a small place than it is in a larger place. (*Mr. Warbreck Howell*): I understand that; but personally I should hardly have called it psychology.

475. (*Mr. Scott*): I suppose, in your reference to the Provinces, you did not include Scotland ?—I always understood that was a separate kingdom.

(*The witnesses withdrew and the Committee adjourned.*)

APPENDIX E.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

Particulars of Examinations and Membership.

1. The Preliminary, Intermediate and Final Examinations are held half-yearly in ten centres at Home and in the British Dominions.

2. The Syllabus of the Examinations is attached.*

3. Statistics of the Examinations for 10 years are as follows:—

Year.	Final.			Intermediate.			Preliminary.		
	No. of Candidates.	Per cent. Passed.	Per cent. Failed.	No. of Candidates.	Per cent. Passed.	Per cent. Failed.	No. of Candidates.	Per cent. Passed.	Per cent. Failed.
1920	362	67	33	468	74	26	123	63	37
1921	457	63	37	760	73	27	176	66	34
1922	522	62	38	728	68	32	191	68	32
1923	575	63	37	643	61	39	281	61	39
1924	567	58	42	573	60	40	313	68	32
1925	516	56	44	636	53	47	366	59	41
1926	499	43	57	661	49	51	402	58	42
1927	540	62	38	791	49	51	368	62	38
1928	515	48	52	893	51	49	344	63	37
1929	556	46	54	839	48	52	332	59	41
	5,109	56%	44%	6,992	58%	42%	2,896	62%	38%
	5,109 Total.	2,881 Passed.	2,228 Failed.	6,992 Total.	4,034 Passed.	2,958 Failed.	2,896 Total.	1,797 Passed.	1,099 Failed.

4. STATISTICS SHOWING PROGRESS OF MEMBERSHIP.

Year.	Number of Members.
1885	350
1900	1,514
1910	2,378
1918	2,854
1927	4,847
1928	5,051
1929	5,225

* Appendix F.

5. ANALYSIS OF MEMBERSHIP—1ST JANUARY, 1930.

—	FELLOWS.	ASSOCIATES.	HONORARY.	TOTAL.
ENGLAND AND WALES—				
In practice	922	965	...	1,887
Not in practice	171	2,227	...	2,398
Honorary	...	...	3	3
SCOTLAND—				
In practice	49	13	...	62
Not in practice	8	38	...	46
IRELAND—				
In practice	38	34	...	72
Not in practice	2	58	...	60
OVERSEAS—				
In practice	188	175	...	363
Not in practice	30	303	...	333
Honorary	...	...	1	1
Total	1,408	3,813	4	5,225
In practice	1,197	1,187	...	2,386
Not in practice	211	2,626	...	2,839
Total	1,408	3,813	4	5,225

APPENDIX F.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

Extracts from the Syllabus of Examinations.

Examiners :

SIR JOSIAH C. STAMP, G.B.E., Sc.D., LL.D., D.Sc.
W. H. COATES, LL.B., B.Sc. (Econ.), Ph.D.
CHARLES HEWETSON NELSON, J.P., F.S.A.A.
WILLIAM NORMAN BUBB, F.S.A.A.
RICHARD A. WITTY, F.S.A.A.
WALTER HOLMAN, F.S.A.A.
CLEMENT C. GATLEY, M.A., D.C.L., LL.D., Barrister-at-Law.
ROLAND BURROWS, LL.M., LL.D., Barrister-at-Law.
EDWARD THOMPSON ALLEN, M.A., Barrister-at-Law.
THEODORE C. TOBIAS, B.A., B.L., Barrister-at-Law, Dublin.
CHARLES B. MILNE, M.A., LL.B., Advocate, Edinburgh.

NOTES IN REGARD TO QUALIFYING AS AN INCORPORATED ACCOUNTANT.

I. PRINCIPAL CONDITIONS.

The four principal conditions to obtain the qualification of Incorporated Accountant are :—

(*a*) The attainment of a recognised standard of general education ;

(*b*) Experience in the Accountancy Profession, as prescribed by the Bye-Laws of the Society ;

(*c*) Passing the Intermediate and Final Examinations ;

(*d*) Certificates as to service and character.

II. PRELIMINARY EXAMINATION.

(*a*) Candidates may obtain exemption from this Examination upon submitting a certificate of having passed one of a number of recognised educational examinations. The fee for exemption is £1 11s. 6d.

(*b*) Alternatively, candidates may sit for the Society's Preliminary Examination, which is in educational subjects : particulars are given below. Professional service is not required to sit for this Examination. The fee is £2 2s. Candidates who do not hold one of the recognised certificates are advised to sit for the Preliminary Examination at as early a date as possible, whether they propose to qualify as Articled Clerks or under the Special Bye-Laws.

(*c*) Passing or obtaining exemption from the Preliminary Examination does not confer any privilege in the Society and admission to the Intermediate and Final Examinations is subject to the Bye-Laws in force from time to time.

III. MEMBERSHIP OF STUDENTS' SOCIETIES OR STUDENTS' SECTIONS.

Bye-Law 24 provides that, upon passing or obtaining exemption from the Preliminary Examination, all candidates should join a Students' Section of a Branch or District Society or a Students' Society. The Entrance Fee and Annual Subscription are 5s. and 7s. 6d., respectively, payable to the appropriate Students' Section or Students' Society. The maintenance of membership of a Students' Society or Section is a condition precedent to sitting for the Intermediate and Final Examinations. The purpose of the Bye-Law is to seek the co-operation of candidates in the educational work of the Society.

IV. SERVICE UNDER ARTICLES.

(1) The normal course of professional training is by service under Articles of Clerkship with an Incorporated Accountant in public practice for a period of five years. In the case of Graduates of approved Universities, the period of Articles may be reduced to three years by sanction of the Council. Before Articles are executed, candidates must have passed or obtained exemption from the Preliminary Examination. The question of premium and salary are a matter for negotiation between the clerk and his prospective employer.

(2) The Intermediate Examination is taken after the completion of two years' service under Articles and the Final Examination during the fifth year.

V. SPECIAL BYE-LAWS.

The Special Bye-Laws of the Society (*Bye-Laws* 11 (*a*) (*b*) (*c*) (*d*) (*e*) (*f*) *and* (*g*)) provide means whereby candidates not serving under Articles may qualify as Incorporated Accountants. Subject to having passed or obtained exemption from the Preliminary Examination, candidates must have completed approved professional service as Accountancy Clerks to Public Accountants (normally with Incorporated—or Chartered—Accountants in practice) for six years before sitting for the Intermediate Examination (minimum age 22 years) and nine years' similar professional service before presenting themselves for the Final Examination (minimum age 25 years). Admission to the Final Examination is only after passing the Intermediate. An application under the Special Bye-Laws must be accompanied by certificates of service from former and present employers indicating length of service, positions occupied and nature of duties, and stating that the application is recommended ; also, in the case of the Final Examination, by Schedules A2 and B2, the forms being provided by the Society. Special Bye-Law service also includes experience under a principal Municipal or County Treasurer, Chamberlain or Accountant, subject to certain conditions as to the duties of, and positions occupied by, candidates.

VI. INTERMEDIATE AND FINAL EXAMINATIONS.

The subjects of the Intermediate and Final Examinations are given below, the fees being £2 12s. 6d., and £3 3s., respectively.

It should be mentioned that applications to sit for examinations are considered during, but not earlier than, the twelve months prior to the date of the Examination for which candidates desire to sit ; applications must be signed by members of the Society.

VII. ELECTION TO MEMBERSHIP.

Upon their completing the required professional service, either under Articles or under the Special Bye-Laws, and having passed the Intermediate and Final Examinations, the names of qualified candidates are submitted to the Council of the Society for election as Incorporated Accountants, subject to a nomination signed by three members and the payment of the necessary fees. Articled Clerks are required to forward certificates from their principals that their Articles have been satisfactorily completed. Membership of the Society is open equally to men and women.

The Entrance Fee in the case of Associates is £10 10s., and the subscription of Associates not in practice is £2 2s., which includes the subscription to a Branch or District Society. Higher subscriptions are payable when Associates are in public practice, or are elected to Fellowship. Associates to be eligible for Fellowship must have been in public practice for three years. (Entrance Fee, £5 5s.).

NOTE.— This is a general descriptive memorandum only and should be read in conjunction with, and not in lieu of, the Articles of the Society and the Bye-Laws of the Council. These are contained in the Incorporated Accountant's Year Book.

Examination Centres.—London, Manchester, Cardiff, Leeds, Glasgow, Dublin, Belfast. Also at Cape Town, Johannesburg and Durban.

Final Examination, 1930.

Order of Subjects.

TUESDAY, MAY 6th, 1930.

10 to 1.—I. Advanced Accounting, including Partnership and Executorship Accounts and Income Tax.
2.30 to 5.30.—II. Auditing and the General Duties of Professional Accountants, including Income Tax.

WEDNESDAY, MAY 7th, 1930.

10 to 11.30.—III. Cost Accounts.
11.30 to 1.—IV. Statistical Methods.
2.30 to 4.—V. General Knowledge in regard to Commerce and Finance.
4 to 5.30.—VI. The Law Relating to Joint Stock Companies and Bankruptcy.

THURSDAY, MAY, 8th, 1930.

10 to 11.30—VII. Mercantile Law, including Partnership Law, and the Law of Arbitration and Awards.
11.30 to 1.30.—VIII. The Powers and Duties of Liquidators, Trustees, Executors and Receivers.
2.30 to 4.30.—IX. Economics.

Intermediate Examination, 1930.

Order of Subjects.

WEDNESDAY, MAY 7th, 1930.

10 to 1.—I. Book-keeping and Accounts, including Income Tax.
2.30 to 4.30.—II. General Commercial Knowledge.
4.30 to 5.30.—III. Cost Accounts.

THURSDAY, MAY 8th, 1930.

10 to 1.—IV. Book-keeping and Accounts, including Partnership and Executorship Accounts and Income Tax.
2 to 4.30.—V. Commercial Law, the Powers and Duties of Liquidators, Trustees, Executors and Receivers.

SYLLABUS OF PRELIMINARY EXAMINATION commencing with the Examination to be held in November, 1930.

MONDAY, NOVEMBER 3rd, 1930.

English.

10.30 to 12.30.—(*a*) One paper on *General Knowledge, including Modern English History and Geography.*
1.30 to 3.30.—(*b*) *An Essay.*
(*c*) *General English.*

One Foreign Language.

3.30 to 5.30.—One paper on French, German, Spanish or Latin (to be selected by the Candidate).

TUESDAY, NOVEMBER 4th, 1930.

Mathematics,

10 to 12.—*Arithmetic.*
2 to 5.—*Algebra and Geometry.*

APPENDIX G.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

The following are particulars of typical cases of Accountants in public practice to which the attention of the Departmental Committee is called :—

CASE 1.

"A," formerly an Incorporated Accountant, was suspended by the Disciplinary Committee for improperly soliciting for Income Tax business. Owing to his continuing the offences, he was excluded from membership of the Society in 1923. He is still in business as "an Income Tax Specialist" and is still issuing Circulars offering to investigate Income Tax Assessments.

CASE 2.

"B" was Receiver for Debenture Holders, but he converted funds to his own use and was made bankrupt by the Liquidator of the Company. He is still carrying on business as an Accountant and Estate Agent.

CASE 3.

Criminal.—"C" was a solicitor's clerk in Maidstone, and went to Manchester where he carried on a series of long firm frauds. He was sent to prison about 1925 for three years penal servitude for obtaining goods by false pretences. He was made a bankrupt in 1911, at the age of 23, his liabilities being £421, assets £43. This man is now practising as an Accountant.

CASE 4.

"D", an Accountant who became bankrupt many years ago, has practised continuously as an Accountant since his bankruptcy.

CASE 5.

"E", a Coal Merchant and General Haulier, holds himself out as a Specialist in preparing accounts for Income Tax purposes. Accounts which he has prepared and submitted have been considered unsatisfactory by the Inspector of Taxes in his district.

CASE 6.

Criminal.—"F" commenced practice on his own account, but had practically no knowledge of accountancy. He advertised for youths who wished to learn accountancy, and charged them £50 premium for twelve months, and he had a dozen of these lads with him at the same time. Ultimately he received a term of imprisonment.

CASE 7.

"G" was formerly a Railway Clerk, and had not served in a professional accountant's office. On the 24th February, 1930, and on subsequent days, he published the following advertisement in the "Manchester Evening News" :—

> "Income Tax Appeals, Accounts, Reclaims, Moderate Fees."

CASE 8.

Income Tax.—"H", an accountant, certified accounts and prepared returns for Income Tax purposes, which were hopelessly out of accord with the books and the facts. He stated that he had only made up the returns from information given to him by the taxpayer, but the taxpayer maintained that "H" had kept the books and was entirely responsible both for books and Income Tax returns. The Incorporated Accountant who was subsequently consulted always suspected that the case was one of collusion, but was never satisfied that "H" had deliberately done wrong, and in any case it was clear that he was incompetent.

The taxpayer and "H" were both in danger of criminal proceedings. The Incorporated Accountant concerned ultimately settled with the Income Tax authorities for the payment of about £75,000, which was many times the amount which had been returned over the period reopened by the Income Tax authorities.

"H", so far as the Incorporated Accountant concerned knows, continues in practice.

CASE 9.

Struck off Roll.—"K", a member of the Institute of Chartered Accountants, whose name was deleted from their Membership Roll by their Disciplinary Committee, has continued in practice as a Professional Accountant.

CASE 10.

Income Tax.—"L", who practised as an Accountant, had a dissatisfied client who consulted a firm of Incorporated Accountants, when it was found that the figures prepared and certified by "L", and submitted for Income Tax purposes were inaccurate, being in excess of the taxable profits. Full fees had been received for this work. Subsequently, a body of General Commissioners for Income Tax purposes refused to accept "L's" signature for future cases, but this did not stop him from soliciting and obtaining accountancy work in adjoining Income Tax districts.

CASE 11.

Criminal.—"M", who practises as an Accountant and Auditor, has at least twice been prosecuted in a Police Court by the Registrar of Friendly Societies, and convicted and fined in connection with offences for the non-filing of returns, as Liquidator of a Co-operative Money Society, which has been in course of being wound up over a period of some twenty years.

CASE 12.

"N" was sentenced in 1926 to a term of three years' imprisonment for fraudulent trading. On December 24, 1929, he advertised in a trade paper as follows :—

> "Accountant and Auditor, Income Tax Specialist, Fire Loss Assessor. Companies formed and Capital found. Partnerships and Financial Matters arranged. Legal Advice free. Estates Managed. Business Transfer Agent.
>
> If you have any worries—either business, financial, or private—consult me, and I will pull you through them. For Audits, Income Tax, Bankruptcies, Deed of Arrangements, Liquidations, Receiverships, and Business Transfer work my charges are lower than others, and I guarantee satisfaction."

CASE 13.

Completely unqualified, "P" set up as an Accountant and combined Accountancy with professional photography and was at the same time a professional musician. He got several Workmen's Clubs into difficulties through furnishing incorrect returns. He was eventually made bankrupt about a year ago.

CASE 14.

Criminal.—"X", a solicitor, was struck off the Rolls for misappropriation of clients' money. After serving a term of imprisonment, he started as an accountant and was again convicted for misappropriation.

CASE 15.

"Z", an unqualified man, solicits business through Press Advertisements under the title "Income Tax Demands." He also advertises in his windows as an "Income Tax Specialist," and was so described in the Directory.

APPENDIX H.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

Registration of Scottish Law Agents.

1. The position of the law agents in Scotland prior to 1873 provides a strong precedent bearing upon the position of the Accountancy profession at present. The position prior to 1873 was as follows :—

2. There were :—

(*a*) Writers to the Signet.
(*b*) Solicitors to the Supreme Court.
(*c*) Law Agents, occasionally referred to as "Writers," "Procurators" and "Solicitors."
(*d*) Notaries Public.

3. In a number of instances Societies had been formed, for example in Edinburgh, Glasgow, Aberdeen, and Paisley. At various dates in the 18th and 19th centuries several of these Societies or Faculties of Procurators obtained Royal Charters of Incorporation, while in other districts Societies were formed which were not incorporated.

4. Much confusion arose consequent on members of a Chartered Society of Writers objecting to other Writers, who were not members of the Society, practising in the Sheriff Court of their district. The matter became more difficult as the years went on, and in 1869 or 1870 a Royal Commission was appointed to enquire into the administration of law in Scotland. After various Reports on the Reform of Sheriff Court Procedure, the Royal Commissioners reported in favour of a Register for all Law Agents, and one Examination applicable to Candidates for admission as Law Agents in Scotland.

5. Arising out of the Report of the Royal Commission, Lord Advocate Young, afterwards Lord Young, prepared and carried through Parliament in 1873 an Act entitled "An Act to Amend the Law Relating to Law Agents Practising in Scotland."

6. The effect of this Act is that all persons in the legal profession, except Advocates, must pass the prescribed examination, or its equivalent, the Society of Writers to the Signet having to conduct their own examination.

7. It is an interesting analogy that there were both Chartered Law Societies, Incorporated Law Societies, and unincorporated Law Societies in Scotland prior to 1873, who were left to carry out their own local affairs and to provide widows' funds, etc., although by the passing of the Act their members were placed on one Register.

8. The Law Agents Act of 1873 swept all practitioners of law (except Advocates) into one Register, and left the Chartered Faculties and Societies to carry out their own work. Although there was one Register, no law agent was compelled to become a member of any of the existing Faculties or Societies, although most law agents do join the local Faculty or Society.

9. At a later date another Act was passed which brought "Notaries" finally within the Law Agents Act. No further appointments of Notaries were made, but all law agents were entitled to become Notaries on payment of the appropriate fees and Stamp Duty.

10. It will thus be seen that by a process of inclusion all persons practising any part of the law, except Advocates, were put on a Register which was closed to all others who did not serve an apprenticeship, pass the Examinations, and take out a Certificate bearing the appropriate Stamp Duty.

APPENDIX J.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

PROFESSIONAL ACCOUNTANTS BILL.*

Arrangement of Clauses.

Clause.
1. Short title.
2. Definitions.

Registration.

3. Constitution of Professional Accountants Register Committee for England and Wales.
4. Constitution of Professional Accountants Register Committee for Scotland.
5. Registers of persons practising as professional accountants.
6. Persons entitled to be registered as professional accountants in England and Wales.
7. Persons entitled to be registered as professional accountants in Scotland.
8. Registrars and custody of registers.
9. Duties and powers of committees.
10. Qualifying examinations.
11. Power to refuse registration in certain cases.
12. Correction of registers.
13. Resolution for removal of name from a register.
14. Restoration of name to a register.
15. Appeal from decision of a committee.
16. Publication and sale of lists of persons on registers.
17. Evidence of registration.
18. Notice of death of professional accountant.

Offences and Legal Proceedings.

Clause.
19. Prohibition of unregistered persons using title of professional accountants, etc.
20. Prohibition of persons falsely describing themselves as members of institutes or societies.
21. As to titles, etc., of registered accountants.
22. Saving for use of existing titles, etc.
23. Penalty for obtaining registration by false representation.
24. Penalty for wilful falsification of registers.
25. Prosecution of offences and recovery of fines.
26. Restriction on prosecution.

Miscellaneous.

27. Application of fees and audit of accounts.
28. Service of notices by post.

* *Note.*—This Bill is based upon the Professional Accountants' Bill of 1911, with such amendments and additions as now appear to the Society of Incorporated Accountants and Auditors to be necessary. The provisions in the old Bill which related to Ireland and the admission of women have been deleted; the other amendments and the additions are shown in italics.

1. This Act may be cited as the Professional Accountants Act, 1930.

2. In this Act—

"The English institute" means the Institute of Chartered Accountants in England and Wales, incorporated and regulated by a charter granted by Her late Majesty Queen Victoria in the year 1880;

"The English society" means the Society of Incorporated Accountants and Auditors, incorporated in the year 1885 under section twenty-three of the Companies Act, 1867;

"The Scottish societies" means the Society of Accountants in Edinburgh, incorporated by a charter granted by Her late Majesty Queen Victoria in the year 1854, the Institute of Accountants and Actuaries in Glasgow, incorporated by a charter granted by Her late Majesty Queen Victoria in the year 1855, and the Society of Accountants in Aberdeen, incorporated by a charter granted by Her late Majesty Queen Victoria in the year 1867;

"The English committee" means the Professional Accountants Register Committee for England and Wales constituted under this Act;

"The Scottish committee" means the Professional Accountants Register Committee for Scotland constituted under this Act;

"The English register" means the Register of Professional Accountants in England and Wales directed to be kept under this Act;

"The Scottish register" means the Register of Professional Accountants in Scotland directed to be kept under this Act;

"The English registrar" means the person for the time being appointed to be or to perform the duties of registrar under this Act in respect of the registration of professional accountants in England and Wales;

"The Scottish registrar" means the person for the time being appointed to be or to perform the duties of registrar under this Act in respect of the registration of professional accountants in Scotland;

"Professional accountant" means any person whose business or occupation is the performance of the functions of a professional or public accountant.

In the application of this Act to Scotland "Rules of court" shall mean Acts of Sederunt of the Court of Session; "under articles" shall mean under indenture of apprenticeship.

REGISTRATION.

3.—(1) As soon as may be after the passing of this Act the council of the English institute shall appoint nine members of that institute, the council of the English society shall appoint six members of that society, the councils of the Scottish societies shall appoint one person being a member of one of the Scottish societies, *and the President of the Board of Trade shall appoint three members representative of all other professional accountants*, all being professional accountants practising in England or Wales, and the persons so appointed, *together with an independent Chairman appointed by the President of the Board of Trade*, shall by virtue of this Act constitute and become the Professional Accountants Register Committee for England and Wales.

(2) Three members appointed by the council of the English institute and two members appointed by the council of the English society *and one of the members appointed by the President of the Board of Trade, as* shall retire annually, and the member appointed by the councils of the Scottish societies shall retire at the expiry of three years from the date of his appointment. The members so retiring shall be eligible for appointment by the respective councils *or the President of the Board of Trade as the case may be*. The members to retire in the years one thousand nine hundred and *thirty-one* and one thousand nine hundred and *thirty-two* shall be determined by agreement, or, in default of agreement, by lot, and in subsequent years the members to retire shall be those who have been longest in office.

(3) The council of the English institute or of the English society and the councils of the Scottish societies may from time to time remove any member of the English committee appointed by such councils respectively, and may appoint in the stead of any member so removed any other member of the institute or societies respectively being a professional accountant practising in England and Wales. *The President of the Board of Trade may also remove any member appointed by him, and may appoint in his stead some other representative of all other accountants, he being a professional accountant practising in England and Wales.*

(4) Vacancies among the members of the English committee shall be filled by the council or councils by whom the vacating members or member were or was appointed, *or by the President of the Board of Trade, as the case may be*, but a person appointed to fill a casual vacancy shall continue in office so long only as the person in whose room he is appointed would have held office.

(5) Any member of the English committee whose name shall at any time cease to be on the English register shall ipso facto cease to be a member of the English committee.

(6) The English committee may sue and be sued in the name of the English registrar.

(7) The quorum for a meeting of the English committee shall, unless and until otherwise provided by a rule made by the English committee, be *eleven*.

4. (1) As soon as may be after the passing of this Act the council of the Society of Accountants in Edinburgh shall appoint five members of that society, the council of the Institute of Accountants and Actuaries in Glasgow shall appoint five members of that institute, the council of the Society of Accountants in Aberdeen shall appoint two members of that society, the council of the English society shall appoint two members of that society, the council of the English institute shall appoint one member of that institute, *and the Secretary of State for Scotland shall appoint three members representative of all other accountants practising in Scotland*, all being professional accountants practising in Scotland, and the persons so appointed, *together with an independent Chairman appointed by the Secretary of State for Scotland*, shall by virtue of this Act constitute and become the Professional Accountants Register Committee for Scotland.

(2) Three members appointed by the respective councils of the Scottish societies shall retire annually, one member appointed by the council of the English society, the member appointed by the council of the English institute *and one of the members appointed by the Secretary of State for Scotland* shall retire at the expiry of three years from the date of their appointment. The members so retiring shall be eligible for re-election by the respective councils. The members to retire in the years one thousand nine hundred and *thirty-one* and one thousand nine hundred and *thirty-two* shall be determined by agreement, or, in default of agreement, by lot, and in subsequent years the members to retire shall be those who have been longest in office.

(3) The councils of the Scottish societies or of the English society or of the English institute may from time to time remove any member of the Scottish committee appointed by such council (as the case may be), and may appoint another person as aforesaid in the stead of any member so removed being a professional accountant practising in Scotland. *The Secretary of State for Scotland may also remove any member appointed by him, and may appoint in his stead some other representative of all other accountants being a professional accountant practising in Scotland.*

(4) Vacancies among the members of the Scottish committee shall be filled by the council or councils by whom the vacating members or member were or was appointed, or by the Secretary of State for Scotland, as the case may be, but a person appointed to fill a casual vacancy shall continue in office so long only as the person in whose room he is appointed would have held office.

(5) Any member of the Scottish committee whose name shall at any time cease to be on the Scottish register shall ipso facto cease to be a member of the Scottish committee.

(6) The Scottish committee may sue and be sued in the name of the Scottish registrar.

(7) The quorum for a meeting of the Scottish committee shall, unless and until otherwise provided by a rule made by the Scottish committee, be seven.

5. Registers of the names of persons practising as professional accountants in England and Wales, and Scotland, respectively, shall be kept, subject to the provisions of this Act, by the English registrar, and the Scottish registrar, respectively, in books to be styled respectively the Register of Professional Accountants in England and Wales, and the Register of Professional Accountants in Scotland.

6. (1) The following persons shall (subject to the provisions of this Act herein-after contained) be entitled to be registered as professional accountants in England and Wales under this Act:—

(*a*) Any person who is now or shall hereafter become a member of the English institute or of the English society or of any of the Scottish societies, and who shall give notice in writing to the English committee of his intention to practise as a professional accountant in England and Wales:

(*b*) Any person who (although not a member of any of the institutes or societies mentioned in sub-clause (*a*) hereof) shall within six months from the passing of this Act give notice in writing to the English committee, and within *eighteen* months from the passing of this Act prove to the satisfaction of the English committee that he was in practice as a professional accountant in England or in Wales at the passing of this Act, subject nevertheless to the provisions of the section of this Act whereof the marginal note is "Power to refuse registration in certain cases"*:

(*c*) Any person who is now or shall hereafter become a member of any institute or society of professional accountants incorporated or duly constituted under the laws of any British *Dominion*, colony or dependency (including India), or of any territory administered under royal charter or under the laws for the time being in force in any part of the United States of America membership of which the English committee, and the Scottish committee, may by resolution passed by each of such committees decide to be a proper qualification, and who shall give notice in writing to the English committee of his intention to practise as a professional accountant in England and Wales. Provided that any such resolution shall remain in force until revoked by each of such committees.

(2) Any person (not being a person entitled to be registered under the preceding provisions of this section) shall be entitled (subject nevertheless to the provisions of the section of this Act whereof the marginal note is "Power to refuse registration in certain cases"*) to be registered as a professional accountant in England and Wales under this Act on producing or transmitting to the English registrar a certificate of the English committee that he has passed such examinations as the English committee shall from time to time prescribe, and on proof to the satisfaction of the English committee *either* that he has served under articles to a professional accountant practising in England or in Wales and registered, or who, subject to giving notice, would have been entitled to be registered as a professional accountant in England and Wales under this Act (not being a member of the English institute or of the English society) for not less than five years, or, in the case of a graduate of any university in the United Kingdom, for not less than three years, and that he has attained the age of twenty-one years; *or that he has been a clerk to a professional accountant practising in England or Wales and registered or entitled to be registered for not less than nine years.*

7. (1) The following persons shall (subject to the provisions of this Act herein-after contained) be entitled to be registered as professional accountants in Scotland under this Act:—

(*a*) Any person who is now or shall hereafter become a member of any of the Scottish societies or of the English institute or of the English society and who shall give notice in writing to the Scottish committee of his intention to practise as a professional accountant in Scotland.

(*b*) Any person who (although not a member of any of the societies or institutes mentioned in sub-clause (*a*) hereof) shall within six months from the passing of this Act give notice in writing to the Scottish committee, and within *eighteen* months from the passing of this Act prove to the satisfaction of the Scottish committee that he was in practice as a professional accountant in Scotland at the passing of this Act, subject nevertheless to the provisions of the section of this Act whereof the marginal note is "Power to refuse registration in certain cases."

(*c*) Any person who is now or shall hereafter become a member of any institute or society of professional accountants incorporated or duly constituted under the laws of any British dominion colony or dependency (including India) or of any territory administered under royal charter or under the laws for the time being in force in any part of the United States of America, membership of which the English committee, and the Scottish committee, may by resolution passed by each of such committees decide to be a proper qualification, and who shall give notice in writing to the Scottish committee of his intention to practise as a professional accountant in Scotland. Provided that any such resolution shall remain in force until revoked by each of such committees.

(2) Any person (not being a person entitled to be registered under the preceding provisions of this section) shall be entitled (subject nevertheless to the provisions of the section of this Act whereof the marginal note is "Power to refuse registration in certain cases"*) to be registered as a professional accountant in Scotland under this Act on producing or transmitting to the Scottish registrar a certificate of the Scottish committee that he has passed such examinations as the Scottish committee shall from time to time prescribe, and on proof to the satisfaction of the Scottish committee *either* that he has served

* *i.e.*, Clause 11 of the Bill.

* *i.e.*, Clause 11 of the Bill.

under articles to a professional accountant practising in Scotland and registered, or who, subject to giving notice, would have been entitled to be registered as a professional accountant in Scotland under this Act (not being a member of any of the Scottish societies or of the English society) for not less than five years, or, in the case of a graduate of any university in the United Kingdom, for not less than three years, and that he has attained the age of twenty-one years ; *or that he has been a clerk to a professional accountant practising in Scotland and registered or entitled to be registered for not less than nine years.*

8. (1) *The President of the Board of Trade shall, as soon as may be after the passing of this Act, appoint some fit and proper person to act as English Registrar of Public Accountants.*

(2) *The Secretary of State for Scotland shall, as soon as may be after the passing of this Act, appoint some fit and proper person to act as Scottish registrar of Public Accountants.*

9. The English committee, and the Scottish committee, shall respectively have power—

(1) To frame rules—

With respect to registration of the addresses of persons registered under this Act and to notification to the English registrar, or the Scottish registrar (as the case may be) of any change of address ;

With respect to the inspection of the English register, or the Scottish register (as the case may be) ;

With respect to the holding of examinations for the purposes of sub-section (2) of the section of this Act of which the marginal notes are respectively " Persons entitled to be registered as professional accountants in England and Wales," and " Persons entitled to be registered as professional accountants in Scotland," and with respect to the subjects for and the times and places of and the mode of conducting such examinations, and with respect to the appointment and removal of examiners, and with respect to the remuneration, by fees or otherwise, of the examiners so appointed ;

With respect to the certificates (if any) to be given to persons of their having passed any examination held under this Act ;

With respect to the quorum and procedure of such committees respectively, and with respect to any other matter or thing as to which such committees respectively think it expedient to make rules for the purposes of this Act ;

(2) To provide for the control, duties and remuneration of the English registrar, or the Scottish registrar (as the case may be) and for the appointment of their successors ;

(3) To determine questions relating to the qualifications for registration under this Act of persons not being members of the English institute or of the English society, or of any of the Scottish societies ;

(4) To prescribe charges and recover fees with respect to examinations and registration under this Act, such fees and charges to be approved by the Board of Trade ;

and generally to do any act or thing which may be necessary and expedient for the due and proper execution of the provisions of this Act.

10. (1) If the English committee, or the Scottish committee, at any time resolve that in the opinion of such committee the standard of proficiency required at the examination from applicants for admission to membership of the English institute, the English society, the Society of Accountants in Edinburgh, the Institute of Accountants and Actuaries in Glasgow, or the Society of Accountants in Aberdeen, is not sufficient to guarantee the possession by any such applicant of the knowledge and skill requisite for the efficient practice by him of the business of a professional accountant, the committee by whom any such resolution has been passed shall forward a copy thereof, together with a representation thereon, to the institute or society to whose examination the resolution relates, and also to the Privy Council.

(2) The Privy Council, if they think fit, after considering such resolution and representation, and also any objections thereto made by the institute or society to whose examination the resolution relates, may notify their opinion to such institute or society, and if such institute or society fail to comply with any directions of the Privy Council relating to such notification, no applicant admitted to the membership of such institute or society after the date of any such resolution shall be entitled to be registered under this Act as a professional accountant unless and until the directions of the Privy Council shall have been complied with to the satisfaction of the Privy Council, and such applicant shall have passed a qualifying examination of a standard in accordance with such directions.

11. A committee constituted under this Act may refuse to register under this Act—

(1) Any person who has been excluded from membership of any institute or society in this Act mentioned or referred to :

(2) Any person who has been suspended from membership of any institute or society in this Act mentioned or referred to, so long as the suspension continues :

(3) Any person who is proved to the satisfaction of any such committee—

(*a*) To have been convicted of any crime in or beyond *Great Britain* or to have been declared by any court of competent jurisdiction in or beyond *Great Britain* to have committed any fraud or to have been declared an outlaw ;

(*b*) To have been guilty of any act or default discreditable to a professional accountant ;

(*c*) To have been adjudged bankrupt, or individually or as a partner to have made an assignment for the benefit of creditors, or to have made any arrangement for payment of a composition to creditors ;

(*d*) To be following any business or occupation other than that of a professional accountant or some business which, in the opinion of any such committee, is incident thereto or consistent therewith : Provided that where, at the date of the passing of this Act, the practice of a professional accountant is being carried on in combination with some other business, then the provisions of this sub-section relative to the following or entering into any other business or occupation shall not apply to a person registered under this Act who continues to carry on that same combined business, or, after the date of the passing of this Act, becomes engaged in such combined business, either by himself or with a partner ; but nothing in this proviso shall entitle such partner (unless otherwise entitled) to carry on the combined business after such person as aforesaid shall have died or ceased to practise as a professional accountant.

12. (1) A registrar appointed under this Act shall from time to time insert in his register any alteration which may come to his knowledge in the name or address or description of any person registered.

(2) A registrar appointed under this Act shall remove from his register the name of every deceased person.

(3) A registrar appointed under this Act may remove from his register the name of a person who has ceased to practise, but not (save as herein-after provided) without the consent of that person.

(4) Where a registrar appointed under this Act has reason to think that any person registered has ceased to practise, such registrar may send by post to such person a notice inquiring whether or not he has ceased to practise or has changed his address, and if such registrar does not, within three months after sending the notice, receive any answer thereto from such person, such registrar may, within fourteen days after the expiration of the three months, send him by post in a registered letter another notice referring to the first notice, and stating that no answer thereto has been received, and if such registrar does not, within one month after sending the second notice, receive any answer thereto, such person shall, for the purposes of this section, be deemed to have ceased to practise, and his name may, with the approval of the English committee, or the Scottish committee (as the case may be) be removed accordingly.

(5) In the execution of his duties under this section a registrar appointed under this Act shall act on such evidence as in each case appears to him sufficient.

13. A committee constituted under this Act may resolve to remove from a register kept under this Act the name of any person which has been erroneously or fraudulently entered, and the name of any person who shall have been excluded or suspended from membership of any institute or society in this Act mentioned or referred to, and the name of any other person (not being a member of the English institute, the English society, or the Scottish societies) who has been guilty of any offence or misconduct or has committed any act or default which would have justified such committee in refusing to register him under this Act, and the name of any person who has failed to pay within six months after a written demand in that behalf from a registrar appointed under this Act any fee due from him under the provisions of this Act, and any such registrar shall act in accordance with such resolution.

14. (1) Where the name of a person has been removed from a register kept under this Act it shall not be again entered in such register except by the direction of the English committee, or the Scottish committee (as the case may be), or by order of the High Court in England, or the Court of Session in Scotland (as the case may be), and except in the case of suspension for which provision is herein-after made.

(2) A committee constituted under this Act may, in any case in which they think fit, direct a registrar appointed under this Act to restore to his register any name removed therefrom, either without fee or on payment of such fee (not exceeding the fee prescribed for admission to such register) as such committee may from time to time fix, and such registrar shall restore the name accordingly ; but no such direction shall be given in the case of a member of any institute or society in this Act mentioned or referred to, unless such member shall have been re-admitted to membership of the institute or society to which he previously belonged.

(3) In the case of a person who has been suspended from membership of any institute or society in this Act mentioned or referred to, a registrar appointed under this Act may, at the expiration of the period of suspension, restore the name to his register without a resolution of the English committee, or the Scottish committee (as the case may be) : Provided that if it be proved to the satisfaction of any such committee that the person suspended has, during the period of his suspension, committed any act or default which would have rendered him liable to exclusion or suspension if he had been a member, such committee may refuse to restore the name either for a limited period or otherwise.

(4) The name of any person removed from a register kept under this Act at the request or with the consent of such person may (unless it might, if not so removed, have been removed by direction of a committee constituted under this Act) be restored to such register by the English registrar, or the Scottish registrar (as the case may be), with the approval of the English committee, or the Scottish committee (as the case may be), on the application of such person and on payment of such fee (not exceeding the fee prescribed for admission to such register) as any such committee shall from time to time fix.

15. Where a committee constituted under this Act refuse to register the name of a person applying for registration under this Act, or resolve to remove the name of any person from a register kept under this Act, or refuse to restore the name of any person to any such register, they shall, if required by the person affected, within six months after notice to him of the decision of such committee, report their resolution and the grounds thereof to the High Court in England or the Court of Session in Scotland (as the case may be).

Thereupon the court may make an order, allowing or disallowing the resolution either absolutely or subject to such conditions (if any) as to time or otherwise as the court may think fit, and the resolution shall have effect so far only as it is allowed by the court.

Rules of court may be made for the purposes of this Act.

16. (1) The committees constituted under this Act shall respectively cause lists of all persons on the respective registers to be from time to time, and at least once a year, printed under their respective direction, and published and sold.

(2) The lists shall contain such particulars and be arranged in such form as such committees may respectively direct.

17. A copy of a register for the time being, purporting to be printed and published in pursuance of this Act, shall be evidence in all cases (until the contrary be made to appear) that the persons therein named are on such register, and the absence of the name of any person from such copy shall be evidence (until the contrary be made to appear) that such person is not on such register : Provided that, in the case of any person whose name does not appear in such copy, a certified copy under the hand of the English registrar, or the Scottish registrar (as the case may be) of the entry of the name of such person in his register shall be evidence that such person is on such register.

18. Every registrar of deaths in *Great Britain*, on receiving notice of the death of any person on a register kept under this Act shall forthwith transmit by post to the English registrar, or the Scottish registrar (as the case may be), a certificate under his hand of such death, with particulars of the time and place of death, and on the receipt of such certificate such registrar shall remove the name of such person from his register, and shall transmit to the said registrar of deaths a fee of one shilling.

OFFENCES AND LEGAL PROCEEDINGS.

19. From and after the passing of this Act it shall not be lawful for any person whose name is not on a register kept under this Act—

(*a*) To take or use any title, description, or addition, by letters or otherwise, stating or implying that he is a professional accountant, or that he is in practice as a professional accountant ; or

(*b*) To hold himself out to the public as ready to undertake for pay the business of a professional accountant, or to exercise any function prescribed by law as having to be exercised by a professional accountant.

Any person acting in contravention of this section shall be liable to a fine not exceeding twenty pounds, and to a further fine not exceeding one pound for every

day on which the offence is repeated after conviction: Provided that a person who was practising as an accountant in England and Wales or Scotland (as the case may be) before the passing of this Act, and who has continued in practice, shall not be liable until the expiration of twelve months from the passing of this Act to any fine under this section except for taking or using a title, description, or addition, by letters or otherwise, stating or implying that he is registered under this Act:

Provided further that notwithstanding anything in this Act contained—

(1) Any professional accountant whose name is duly registered in the English register but not in the Scottish register shall be entitled to exercise his profession in Scotland without being registered in the Scottish register, provided he have no permanent office or place of business in Scotland and do not otherwise hold himself out in Scotland, as ready to undertake business in Scotland.

(2) Any professional accountant whose name is duly registered in the Scottish register but not in the English register shall be entitled to exercise his profession in England or Wales without being registered in the English register, provided he have no permanent office or place of business in England or Wales, and do not otherwise hold himself out in England or Wales as ready to undertake business in England or Wales, as the case may be.

20. From and after the passing of this Act it shall not be lawful for any person not being a member of the English institute, or of the English society, or of any of the Scottish societies, to take or use any title, description, or initials, by letter or otherwise, stating or implying that he is a member of any such institute or society, or in any way whatsoever to hold himself out as being a member of any such institute or society; and it shall not be lawful for any person not being a member of the English institute, or of any of the Scottish societies, to use the description of chartered accountant, nor for any person who is not a member of the English society to use the description of incorporated accountant.

Any person acting in contravention of this section shall be liable to a fine not exceeding twenty pounds, and to a further fine of not exceeding one pound for every day on which the offence is repeated after conviction.

21. It shall not be lawful for any person registered as a professional accountant under this Act to take or use any title, description, or initials, by letters or otherwise, indicating that he is a professional accountant (other than the title, or description, of professional accountant), unless such title, description, or initials shall be approved by resolution of a committee constituted under this Act.

Any person acting in contravention of this section shall be liable to a fine not exceeding ten pounds, and to a further fine not exceeding one pound for every day on which the offence is repeated after conviction.

22. Any member of the English institute, or of the English society, or of any of the Scottish societies, may continue to use any title, description, or addition by letters or otherwise in general use by members of any such institute or society at the time of the passing of this Act, without incurring any liability to a fine under this Act, provided any such member not being registered under this Act does not hold himself out to the public as ready to undertake for pay the business of a professional accountant, or exercise any functions prescribed by law as having to be exercised by a professional accountant.

23. Any person who wilfully procures or attempts to procure himself to be placed on a register kept under this Act by making or producing, or causing to be made or produced, any false or fraudulent declaration, certificate, or representation, either in writing or otherwise, and any person aiding and assisting him therein, shall be deemed guilty of a misdemeanour, and shall on conviction thereof be liable to a fine not exceeding fifty pounds, or to be imprisoned with or without hard labour for any term not exceeding twelve months.

24. If a registrar appointed under this Act wilfully makes or causes to be made any falsification in any matter relating to his register he shall be deemed guilty of a misdemeanour, and shall be liable to a fine not exceeding fifty pounds, or to be imprisoned with or without hard labour for any term not exceeding twelve months.

25. All offences under this Act may be prosecuted and all fines may be recovered in a summary manner under the Summary Jurisdiction Acts.

26. A prosecution under this Act may be instituted by a committee constituted under this Act, but shall not be instituted by a private person without the written consent of any such committee.

MISCELLANEOUS.

27. (1) All fees paid under or by virtue of this Act shall be paid to the English committee, or the Scottish committee (as the case may be), or to the English registrar, or the Scottish registrar (as the case may be), on behalf of any such committee, and such committee shall apply the same in payment of all expenses incurred by them in or about examinations and registration, and otherwise in or about the execution of the provisions of this Act, and any such committee may invest any moneys from time to time in their hands, and (if thought fit) may appoint trustees for that purpose, and may invest or apply the resulting income in manner aforesaid.

(2) The committees constituted under this Act shall respectively keep accounts of all their income and expenditure under this Act.

(3) The accounts of the English committee shall be audited annually by two professional accountants, one of whom shall be nominated by the president of the English institute and the other by the president of the English society.

(4) The accounts of the Scottish committee shall be audited annually by a professional accountant appointed by the Scottish societies.

(5) A committee constituted under this Act shall, on the request of any person named in the register under the control of such committee, supply him with a copy of the published accounts of such committee without payment.

28. (1) Any notice or document required by or for the purposes of this Act to be sent may be sent by post, and, when sent to any person registered under this Act, shall be deemed to be properly addressed if addressed to him at his registered address, and shall be deemed to be properly served if so addressed and put into the post.

(2) Any notice relating to the removal by a committee constituted under this Act from a register kept under this Act of the name of any person, or to the refusal by any such committee to register any person, shall be sent by post as a registered letter.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

THIRD DAY.

3 Dec. 1930 D 402 G 79

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERICK EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE
7th February, 1930.

THIRD DAY.

Thursday, 10th April, 1930.

PRESENT:

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

MR. PETER RINTOUL, C.A. (*Past President*), representing the Institute of Accountants and Actuaries in Glasgow, called.

The Committee had before them the following Memoranda:—

MEMORANDUM No. 7.

By MR. PETER RINTOUL, C.A.

I PASSED the prescribed Examinations and became a Member of the INSTITUTE OF ACCOUNTANTS AND ACTUARIES IN GLASGOW in 1892.

I have served a term of office as a Member of the Council, and was President of the Institute in 1928–29 and 1929–30.

I conducted the first Tutorial Class in Accounting instituted by the Council, and have served upon the General Examining Board.

I produce Memoranda of Evidence* which the Council of the Institute wish to submit to the Committee. This was approved by the Council at their Meeting on Monday, 24th March, 1930.

I produce a Copy of the Charter of Incorporation,** and the Bye-Laws, Rules and Regulations of the Institute.**

I produce a Copy of the Official Directory of the Chartered Accountants of Scotland, dated June, 1929, containing full information as to the admission of Members to the three Scottish Chartered Societies.**

I am prepared to answer questions on the subject of Registration generally but feel handicapped by the fact that no information is available shewing the scope of Registration proposed, or the nature of the qualifications which will be necessary before the name of an individual is placed on the Register, or what provisions are suggested in regard to discipline.

March, 1930.

* Memorandum No. 8.

** Not reproduced.

MEMORANDUM No. 8.

BY THE COUNCIL OF THE INSTITUTE OF ACCOUNTANTS AND ACTUARIES IN GLASGOW.

1. The Profession of Accounting in Glasgow is of considerable antiquity. As early as 1793 Walter Ewing Maclae, of Cathkin, described as a Merchant and Accountant, seems to have been engaged regularly in winding up Bankrupt Estates. Two firms, which are still in existence, Messrs. D. & A. Cuthbertson, Provan & Strong, established in 1787, and Messrs. Kerr, MacLeod & Macfarlan, go back to the close of the eighteenth century.

2. James M'Clelland, the originator of the firm of M'Clelland, Ker & Co., still existing, was in practice in 1824, and in announcing that he had commenced business described the duties he was prepared to undertake, as follows:—

Factor and trustee on sequestrated estates.
Trustee or factor for trustees of creditors acting under trust deeds.
Factor for trustees acting for the heirs of persons deceased.
Factor for gentlemen residing in the country for the management of heritable or other property.
Agent for houses in England and Scotland connected with Bankruptcies in Glasgow.
The winding up of dissolved partnership concerns and the adjusting of partners' accounts.
The keeping and balancing of all account-books belonging to merchants, manufacturers, shopkeepers, &c.
The examining and adjusting of all disputed accounts and account-books.
The making-up of statements, reports, and memorials on account-books or disputed accounts and claims for the purpose of laying before arbiters, courts, or counsel.
The looking after and recovering old debts and dividends from bankrupt estates.
And all other departments of the accountant business.

3. The Institute of Accountants in Glasgow was formed by a number of gentlemen practising in Glasgow, who met under the Chairmanship of James M'Clelland, and appointed a Committee, which, with the assistance of Dr. Anderson Kirkwood as Legal Adviser, drew up the Deed of Constitution, which was signed on 14th November, 1853. By 16th December, 1853, 43 gentlemen had been enrolled members of the Institute.

4. On 6th July, 1854, it was decided to petition for the grant of a Royal Charter. The Petition was signed by 49 Accountants in the City of Glasgow and set forth the following:—

That the Profession of an Accountant has long existed in Scotland as a distinct profession of great respectability; that originally the number of those practising it was few, but that, for many years back, the number has been rapidly increasing, and the profession in Glasgow now embraces

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a numerous as well as highly respectable body of persons; that the business of an Accountant requires, for the proper prosecution of it, considerable and varied attainments; that it is not confined to the department of the Actuary, which forms indeed only a branch of it, but that, while it comprehends all matters connected with arithmetical calculation, or involving investigation into figures, it also ranges over a much wider field, in which a considerable acquaintance with the general principles of law, and a knowledge in particular of the Law of Scotland, is quite indispensable; that Accountants are frequently employed by Courts of Law, both the Sheriff Courts and the Court of Session, which is the supreme Civil Tribunal of Scotland, to aid those Courts in their investigation of matters of Accounting, which involve, to a greater or less extent, points of law of more or less difficulty; that they act under such remits very much as the Masters in Chancery are understood to act in England, and that they are also most commonly selected to be Trustees on Sequestrated Estates, and to act as Trustees under private Deeds of Trust on large landed Estates, and that in these capacities they have often to consider and determine, in the first instance, important questions of ranking and of competition between Creditors, and many other important questions of law relating to property; that it is obvious that to the due performance of a profession such as this a liberal education is essential, and that the object in view in the formation of the Institute of Accountants in Glasgow, of which the Petitioners are the Members, was to maintain the efficiency as well as the respectability of the professional body in Glasgow to which they belong; that it appears to the Petitioners that this object will be further greatly assisted by the formation of the Petitioners into a body corporate and politic, having a common Seal, with power to make regulations and bye-laws respecting the qualifications and admission of Members, and other usual powers.

5. The Royal Warrant was given under date 15th March, 1855, for the incorporation by Royal Charter of the Institute of Accountants and Actuaries in Glasgow, within a year of the similar incorporation of The Society of Accountants in Edinburgh.

6. As at 31st December, 1929, there were 1,825 Members of the Institute.

7. Of these, 654 were in practice, 693 in Commercial Posts, etc., and 478 were employees in Accountancy firms. 990 were resident in Scotland, 386 in England, and 449 abroad.

8. The Institute in Glasgow co-operates with the other Scottish Societies of Chartered Accountants in several ways. In the first place, there is a Joint Committee of Councils to which the Council of the Edinburgh Society and the Council of the Glasgow Institute each appoint 4 Members and the Council of the Aberdeen Society 2 Members. It has recently been agreed that the Joint Committee may co-opt 1 other Member representing Scottish Chartered Accountants practising in London, and this has been carried out.

9. This Joint Committee considers all questions remitted to it by any of the Councils and any matter relating to the profession as a whole. Its functions are purely advisory.

10. In 1892 the three Scottish Societies entered into an Agreement, the object of which was to lay down uniform rules for the qualification for and admission to Membership of their respective Corporate Bodies. This was done by establishing a General Examining Board and by laying down certain conditions as to Apprentices and Examinations. Five Members of the Board are elected by the Society of Accountants in Edinburgh, five Members by the Institute of Accountants and Actuaries in Glasgow, and two Members by the Society of Accountants in Aberdeen. The Presidents for the time being of the three Societies serve on the Board *ex officio*. A copy of this Agreement is embodied in the Official Directory of the Scottish Chartered Accountants and can be referred to there on page 363, &c.

11. Originally the normal period of apprenticeship was four years, but this was raised in 1898 to five years.

12. An apprenticeship must be served under a regular deed of Indenture with a Chartered Accountant of Scotland, who is in public practice in Great Britain as a professional Accountant on his own account or as a partner of a firm. The exceptions to the normal period are (*a*) In the case of an apprentice holding a degree of any University in the United Kingdom, a deduction of two years from the period used to be allowed, but the deduction is now to be reduced to one year: (*b*) Previous service, while over 17 years of age, in the office of a Chartered Accountant of Scotland or of an enrolled Law Agent in Scotland, entitles the apprentice to a reduction from the period of his apprenticeship corresponding to one half of the time so served, but in no case shall the term of apprenticeship be less than three years. The Indenture of Apprenticeship may be transferred from one Member of any of the Societies to another Member of any of the Societies under certain restrictions.

13. The apprentice, before commencing his apprenticeship, must be at least 17 years of age. Certificates of preliminary qualification must be produced in terms of the Syllabus. The preliminary qualification is, broadly speaking, equivalent to the qualification required to matriculate at any of the Scottish Universities.

14. The Intermediate Examination must be passed at some time during the last three years of the apprenticeship, and in the case of an apprenticeship of less than four years' duration after not less than one year of the apprenticeship has been served.

15. The Final Examination consists of two Divisions, which may be taken separately (in any order) or together, but neither Division can be taken prior to the second diet following that at which the candidate passed the Intermediate Examination, and the Second Division cannot be taken until after the expiry of the apprenticeship.

(*a*) The apprentice, before presenting himself for the First Division, must attend the Scots Law Class, or the Mercantile Law Class, at one of the Scottish Universities, or, in the case of apprentices in London, the Law Classes specially prescribed therefor.

(*b*) The apprentice, before presenting himself for the Second Division or for the whole Examination, must attend the above and also the Class of "Accounting and Business Method" at the Universities of Edinburgh or Aberdeen, or the Class on "Accounting" at the University of Glasgow, or the Special Class on "The Principles and Practice of Accounting" arranged in Dundee by the Glasgow Institute, or, in the case of apprentices in London, the Accounting Classes specially prescribed therefor.

In every case the apprentice must produce evidence that he has duly performed the work of the prescribed Classes.

The subjects of Examination in the Final Examination are:—

(1) The Law of Scotland.

(2) The Elements of Political Economy.

(3) The general business of an Accountant.

The candidates mark their papers with an assigned number, their names being thus unknown to the Examiners and General Examining Board until the final award has been made in each case. This assures absolute impartiality.

16. The General Examining Board have full power to regulate and conduct the Examination. They are responsible for all papers set, for the values attached to the replies of the candidates, and decide finally whether or not the candidate shall be certified as having passed an Examination satisfactorily.

17. The General Examining Board superintend the diets of Examination, at each of which one Member of the Board must be present, and fix the places and dates of such diets.

18. The Subjects presently prescribed by the General Examining Board are fully set out in the Syllabus issued by the Board. The Council has appointed a Director of Studies, who interviews the apprentices and guides them in their studies.

19. An apprentice must pay to the Society or Institute of which the Master to whom he is to be apprenticed is a Member a fee of 10 Guineas on registration of his Indenture. Without further payment he has the use of the Institute Rooms and Library during his apprenticeship. This fee is deducted from the entry money which is payable on becoming a Member of the Institute of Accountants and Actuaries in Glasgow.

20. Each Member at or before admission is required to pay to the Treasurer of the Institute the sum of £52 10*s*. 0*d*. Entry Money, the 10 Guineas already referred to being reckoned as a payment to account of this. Each Member also pays annually in advance a contribution of 1 Guinea.

21. The remuneration of apprentices in Glasgow is on a moderate scale, but no premium is charged by Masters taking apprentices. Generally speaking, the expense of becoming a Member of the Institute in Glasgow is small, always allowing for the necessary loss of earnings incident to qualifying for any of the so-called learned professions. For this reason, and because there is no limit to the number of apprentices who may be taken by any Member, the profession in Glasgow at least must be considered an open one and within the reach of any lad of good education and average ability.

22. The Institute is administered by a Council of sixteen Office-bearers, viz., a President, a Committee consisting of twelve Members, a Secretary, a Treasurer, and an Auditor. These Office-bearers are elected annually at the Annual General Meeting of the Institute held in March. They are eligible for re-election, excepting four of the Committee, in rotation, who are not eligible for re-election until they shall be out of office for one year at least.

23. Probably the principal matters to which the Council of the Glasgow Institute has directed its attention are the education of the profession, the discipline of the Members of the Institute, and the consideration of new legislation in such matters as Company Law, Bankruptcy Law, and Income Tax Law. The Institute some years ago purchased a building and altered it, and has since purchased additional ground and erected new buildings. They now own, as the result of expenditure of about £50,000, a building housing their Library, and containing in addition Class Rooms of various sizes providing for classes of from 20 to 250. Two of the Classes in connection with the Chairs in the University of Glasgow are, for the convenience of students in the City, held there. The Library is a large one, containing about 13,500 Books. It is being continually added to, and is not confined to books on professional subjects, but contains many on general subjects. These matters are generally dealt with in the first instance by Standing Committees containing Members of the profession who are not for the time being on the Council.

24. In the event of any Member being charged with unprofessional or unbecoming conduct, or with refusing to comply with the bye-laws, rules and regulations, the Council are bound to make an enquiry into the charges, and if they find these to be well founded and requiring to be dealt with by the Institute, must convene a Special Meeting for the purpose of considering the propriety of declaring such a Member to be no longer a Member of the Institute. At the Special Meeting it requires a vote of three-fourths of the Members present to declare that such a Member be no longer a Member of the Institute. A Member may resign upon giving three months' notice and paying any arrears of contribution due. A Member ceases to be a Member on failing to pay his annual contribution for two consecutive years, or in the event of his bankruptcy or declared insolvency. A Member also ceases to be a Member if two-thirds at least of the whole Council report to any General Meeting of the Institute that, in their opinion, he ought no longer to be a Member of the Institute and the General Meeting confirms this opinion. As against this, any person, who has ceased to be a Member, otherwise than because that he has been held to be guilty of unprofessional or unbecoming conduct, or by refusing to comply with the bye-laws, rules and regulations, may be reinstated, provided the reinstatement is approved by two-thirds of the Council and by two-thirds of those present at a General Meeting.

25. Since 1824, when James M'Clelland intimated the sort of duties he was prepared to undertake, the Bankruptcy Laws have been revised and the Bankruptcy (Scotland) Act, 1856, and amending Acts thereon down to and including the Bankruptcy (Scotland) Act, 1913, have been enacted. The whole series of Companies Acts commencing with the Act of 1862 and terminating with the Act of 1929 has come into existence. Also there should be mentioned the Companies Clauses Consolidation Act of 1845. The whole system of Local Government has been overhauled and altered during the period commencing in 1889, when County Councils were brought into being in Scotland. The laws relating to Judicial Factories and Trusts have been considerably developed. Finally, the whole system of National Taxes on Income, including Sur Tax, has been evolved.

26. The result of this, coupled with the growing complexity of trade, commerce, industry and finance, has been to call for the services of expert accountants in an increasing degree.

27. As a consequence it is almost impossible to outline adequately the various branches of work which Members of the Institute are to-day called upon to undertake.

28. The following are, however, the principal classes of work undertaken by Members of the Institute:—

Auditors of bodies corporate, *i.e.*, Limited Companies, Banking Companies, Companies established by Acts of Parliament or by Charter, Private Copartneries, &c.

Auditors to Local Authorities, *i.e.*, County and Town Councils, in terms of appointments made by the Secretary of State for Scotland.

Auditors of Charitable bodies, Testamentary and other Trusts.

Trustees in Bankruptcy.

Agents for Creditors in Extra-Judicial Arrangements with Debtors.

Liquidators of Partnerships and bodies corporate.

Accountants or Secretaries to trading and other concerns, embracing the advising on the installing of systems of book-keeping, the preparation of Balance Sheets and Profit and Loss Accounts, and reporting on financial positions, &c.

Advisors in connection with costing in all classes of industry.

Advisors in connection with the flotation, purchase or sale, amalgamation, reconstruction and liquidation of industrial undertakings.

Financial advisors to Limited Companies either with or without a seat on the Board of Directors.

Judicial Factors on the estates of deceased and other persons.

Advisors to the Courts of Law, including the Court of Session (the Supreme Civil Tribunal for Scotland), in connection with investigations which these Courts may make involving finance and accounting.

Factors on landed estates.

Arbiters in disputes affecting accounting in all its branches.

Experts in the ascertainment and adjustment of the liability of all classes of tax-payers to national taxation.

Members of Advisory Committees constituted by Parliament.

Members of Trade Boards constituted by Government Departments.

Members of the Administrative Boards of public undertakings.

29. The variety and the responsibility of the work undertaken shows that the Chartered Accountant enjoys a very large measure of public confidence. This is attributable substantially to the specialised training and the high standard of education at present demanded of its Members.

30. In a Paper contributed by Mr. Thomas Keens, President of the Society of Incorporated Accountants and Auditors at the International Congress of Accountants in New York, held in September, 1929, he stated, "Registration means that by Statute there "will be set up a Register which shall contain the "names of all persons entitled to carry on public "practice as Accountants. A person not on the "Register will not be entitled to practise, and if he "attempts to do so he will be subject to penalties."

31. We do not consider that this is necessary from our point of view or desirable from the point of view of the public. It may be pointed out that such restrictions of the right to carry on practice as Accountants are very uncommon and exist only in a few countries, such as Roumania, and to a modified extent in Italy. It is interesting to note that a Bill to inaugurate such a Register was promoted recently in the Irish Free State, but failed to pass the Senate, one of the reasons being that the Bill was unnecessary and created a monopoly.

32. There is, in our view, no reason to prevent, say, a Banker or a Lawyer from making up Income Tax figures on behalf of a Client, from writing up his books, from acting as his factor, or even from acting as a Trustee in Bankruptcy or as Liquidator of a Company.

33. We cannot see how a monopoly of the practice of the profession of Accountancy can be given to any selected persons until the work of the profession of Accountancy is defined. This we believe to be impossible without embracing work which is equally within the scope of our profession and other professions. We would point out further that the practice of the profession to-day embraces many classes of work which were not in existence one hundred years ago, and it is certain that new spheres of work will be added to the practice of the profession in the next one hundred years.

34. Even if the restriction of practising were only to apply to audits of accounts of Public Bodies and Limited Companies, other than private Companies, and to evidence regarding accounts given in Courts of Law, the Glasgow Institute would still say that such restriction was unnecessary.

35. There are, in our view, definite objections to a Public Register of Accountants as contrasted with the present system.

36. The existing Societies can and do continually raise the qualifications required for admission to their Membership to meet the altering conditions of practice, and it is their task to educate the public to employ their Members and not to employ unqualified persons. It is in our view much more improbable that a Public Body entrusted with admission to a Register would raise standards and widen the subjects of education, and indeed it seems to us that there would be continuous pressure upon it to reduce these.

37. If inaugurated, a Register would require constant revisal. For example, is a man who is admitted to it to-day, but becomes, let us say, a Stockbroker to-morrow, to be allowed to remain on the Register even if he remains a Stockbroker for twenty-years? Is a man who takes the position of Secretary to a Charitable Institution, as a whole time appointment, to remain on the Register, and, if he is removed, is he to be registered upon production of qualifications obtained many years previously?

38. No register could be commenced without putting upon it a number of practising Accountants of definitely lower qualification than the Members of our Institute and others. Further, it is difficult to see how apprenticeship could be made requisite of admission to the Register, and we regard the training during apprenticeship as vital. Our standard of preliminary qualification for apprentices is, broadly speaking, the same as for matriculation to a Scottish University. That provision is intended to ensure that every apprentice has the cultural background necessary before advantage could be taken of the practical training in Accountancy. We insist on apprentices attending University Classes on Law and Accountancy, and, shortly, they will have to attend, in addition, a prescribed class on Business Economics.

39. It is perhaps of interest to note that the Chair of Accountancy in the University of Glasgow was founded and endowed by one of the Members of our Institute.

40. There is no likelihood of the conditions of admission to a Public Register involving such careful and thorough training.

41. In connection with the education of the Members of our profession, it should be mentioned that the Glasgow Institute, in addition to providing and subsidising various Tutorial Classes, support financially a Students' Society under the auspices of which Lectures on professional subjects are given.

42. The position generally is not unfairly summarised by Mr. Thomas Keens in the Paper to which reference has already been made:—

> Reviewing the main theme of my paper, I submit that the bodies of Chartered Accountants in England and Wales, Scotland and Ireland, and the Society of Incorporated Accountants and Auditors inaugurated a system of training and education for the accountancy profession, which time has amply justified; the system has been progressive and they have maintained an increasingly high standard of qualification. By this means, without specific legislative protection, their members have provided a reliable and comprehensive accountancy service. Their educational work will continue and expand, and it remains to obtain legislation to protect the public in the enjoyment of that proper professional service, which the public have a right to expect.

43. We do not, however, claim that legislation is necessary to protect the public in the enjoyment of that proper professional service which the public have a right to expect, and we believe rather that it is better that we should from time to time as it becomes necessary raise the standards of the profession and educate the public to employ only those who have been so educated.

March, 1930.

MR. PETER RINTOUL, examined.

(*Chairman*): Would you like to add anything to the Memorandum of Evidence which has been submitted by the Council of your Institute?—I am in rather a difficulty in not knowing what the Committee would like. I prepared a few notes upon what I considered the more important aspects of our objections to the Register, and possibly I might run over those. We feel in Scotland that at present when anybody with important work connected with accountancy wants to employ a public accountant he goes to the Members of the Chartered Societies and the Incorporated Society; the Incorporated Society is not very much in evidence in Scotland, but there are a few members in my own Town of Glasgow. Generally speaking we feel that the public look to these bodies as representing the public accountant who is qualified to discharge in a general way all the duties of an accountant. We have the feeling that if a Register is introduced it will necessarily mean that a great many men who are carrying on small businesses will be bound to be admitted to the Register, and that it will dilute the profession. We fear that the Register will include a great many men who have not undergone the training which has been undergone by every Member of our own body, and that there will be no means of differentiating between them.

The Scottish Societies have a lengthy history. My own Society is about 75 years old and I do not think we have a single Member who did not enter by examination. Our policy as regards education has been to link it up as far as possible with the Universities. Probably the fact that Scotland is from the industrial point of view a small country has been to our advantage, because in Scotland accountants are really centralised in Glasgow, Edinburgh, Aberdeen, and Dundee. There are small towns like Paisley and Greenock where there are accountants, but they are no great distance from Glasgow and there is no difficulty in attending the University in Glasgow. So we have been able to include in our educational programme the University classes in law and in accounting, and we hope very shortly to include the classes in political economy. That I think has given us as fine a type of training as we could aim at, and we would be very sorry to see anything which would tend to dilute it. What strikes me personally is that the young man coming into the profession would be apt to consider which was the easier way to qualify for employment in the larger offices, and if he found he could go on a public Register with an easier course of training than ours (which is a very exacting course), he might be apt to take that, and we might find difficulty in obtaining proper material for our staffs. How far that may be true I do not know, but I personally think it would be likely to happen.

If it were decided to set up a Public Register I think my Institute would really prefer that its Members should be allowed to hold themselves out as public accountants without going on the Register. We feel that we can look after our own interests better than any general body for the Kingdom. We should probably be a very small proportion of the persons on the Register if we were thrown in with everybody who was practising in some form or other as an accountant. As long as our examinations were at least as high in standard as those which might be set by the body controlling a Public Register, we would prefer, if it could be arranged, to practise as we wished and to go on the Register or not as we wished. (*Chairman*): The suggestion would be, would it not, that the Members of the Societies whose standards were as high as those of the Registration Authority should not be included in the Register? (*Witness*): Yes; or at least the Members of the Societies which hold Royal Charters.

Another matter which I think is a serious thing from your Committee's point of view is the great difficulty of defining accountancy. One is very much handicapped by not knowing what is intended by restricting the practice of the profession to those who are on the Register. If it only means that a man is not to call himself an accountant, it does not go very far. As regards discipline it will not get us anywhere. I have an advertisement from the "Glasgow Herald" which I saw the other day and which is typical of what I mean. It is an Income Tax advertisement (The Chairman read out the advertisement which was as follows:—) "Income Tax and Surtax. For the Preparation of Returns, Claims, Appeals, and any tax difficulties, consult ———— (late Income Tax Department, Inland Revenue), ———— Street, Glasgow." (*Witness*): That is one of the difficulties. There are no end of branches of the profession of accountancy which really do not involve a knowledge such as I hope is possessed by most of our Members. One has to remember that with us in Glasgow, I think it is correct to say, the profession rather developed out of the legal profession. We began to do specialised work which formerly had been done by lawyers, and in some cases by merchants, but the lawyers are the branch which I have in mind, because they are doing a lot of work which overlaps with our work. Most lawyers will make up income tax claims for their clients, quite a lot of them do more, and the bankers I think are in pretty well the same position; in fact they probably overlap even more. I believe that in some parts of Scotland lawyers audit the accounts of the public authorities. I do not know any lawyer actually doing the audits for a Parish Council in our district, but I believe in the far North they do; and taking into account the geography of the country they are probably the most efficient who can be got. I do not see any reason why they should be prevented from doing so. Most of the men I know in Glasgow are quite prepared to take the risk of a lawyer doing work which we think we are qualified to do if people care to engage him.

The present discussion of the question of Registration has really arisen, as far as I can trace the history of the matter, as a result of the difficulty experienced by Parliamentary Committees in framing a clause to go into Public Bills relating to Auditors. The audit of the accounts of public authorities is a very small part of the work of the professional accountant. I do not know what number of accountants in Scotland do public work of that sort. I happen myself, for a great number of years, to have been the auditor for the County of Lanarkshire, but there are only some 30 Counties in Scotland, and that cannot be a very big piece of work. From the professional point of view we always think that the body whose accounts are audited should never appoint the auditors, and that is so as regards all the big public authorities in Scotland now. It is the Secretary for Scotland who makes all the appointments. For some time Town Councils, I think, and certain other statutory bodies, were allowed to appoint an accountant approved by the Secretary for Scotland, that is to say they could select the man, but he had to approve the appointment, which is quite a good plan also. There are I think a few Acts relating to Public Utility concerns which contain a clause somewhat similar to those which have arisen in England and under which the appointment of Auditors is limited. It is probably outside the functions of the Committee to suggest what the ideal clause for such appointments should be, but it occurred to me to mention that under the Cardiff Bill, which is the last reported case where this clause has been up for discussion, the Members of our Societies in Scotland are not eligible for appointment although we are the oldest Accountant Societies in the world—which is rather amusing.

I do not propose to submit any evidence as to which Members of other Societies are employed in important work, because I believe the English Institute and the Edinburgh Society are going to submit detailed evidence as to that. All I can say is that I have a fair amount of knowledge of the business community in Scotland. I am a director of quite a number of companies myself. I do not know any big concern

whose accounts are not audited by Chartered Accountants. Our Members are more like persons holding a University degree than people who are just members of a profession. We have a number of Members (I do not know whether our rule differs from that of the English Institute) who are not practising the profession any longer, they are outside it, but they remain Members of the Institute. I do not know what their position would be if they wanted to take up practice again. I have in mind one Member who qualified before the War and then joined a shipping firm. During the War he was on service, and when he came back he found that the shipping company had been absorbed in an amalgamation. He then went back to the profession. It is very important for people of that sort to know what their position is going to be if there is a Public Register. Is he to go on, on qualifications obtained perhaps 10 or 15 years before, having been outside the profession for 10 or 15 years ? I mention him because he is practically the senior member of one of the leading firms in Glasgow today.

476. (*Chairman*) : You have about 654 Members in practice out of a total membership of 1,825 ?—Yes. Perhaps I might mention a few cases of Members who are not in practice. A prominent Municipal official is a Member of our Institute. He cannot be said to be practising publicly, but if he wanted to set up in public practice he is eminently qualified today. He is still dealing entirely with accountancy although in one special department only. Then the treasurer of a large public institution is a Member of our Institute : he has held the appointment for many years. There are numerous Members who are really in industry ; I have in mind the case of one Member who has not been in public practice for I do not know how many years. He began as an assistant accountant to a firm, and is now the Chairman of the Directors of that firm. We have a number of Members who have drifted into other lines of business ; for example, a stockbroker is still a Member of the Institute. He is an instance of the man who would not be eligible to practice again, I think, because he had been out of touch with the profession for so long.

477. Your argument, as I understand it, is that if there is to be a Register it should be a Register of the Members of Societies whose qualifications would come up to whatever standard may be prescribed ?—Yes.

478. But you think that the stockbroker you mentioned should not be on the Register ?—If the Register is not revised periodically, he might be in considerable difficulty if he did not apply to be put on the Register at the time of its institution. Ten or fifteen years later his circumstances might alter and he might want to re-enter the profession, and consequently to be put on the Register ; is he to go on on qualifications obtained so long ago ?

479. According to your view the whole of your membership of 1,825 would be on the Register ?—Yes.

480. And you would want them to be put on the Register whether they were in practice or not ?—Yes. I think that is all I can tell you.

481. I think your Institute supported the Bill of 1911 ?—I believe they did, but I have no personal knowledge of that matter.

482. You do not know what led to their change of view ?—No. The question was reconsidered afresh during the last 12 months. I do not know what led the Institute to support the 1911 Bill. I do not think any of the Scottish Societies supported it enthusiastically, but one of the troubles is that so many other Societies have sprung up since and are springing up all the time.

483. Would you say that the qualified accountants need protection against the unqualified men ?—We have no evidence of it ; we have had no complaints from any of our Members.

484. In 1911 was it the idea that registration was necessary in order to protect the public ?—I am afraid I am probably a bad witness from that point of view, because I was not on the Council at that time and I do not know what led them to support the Bill.

485. A number of Societies have been formed since 1911 and it would seem more necessary to protect the public at the present day than it was in 1911 ? —That depends upon the extent to which the public are misled as to the standing of the various Societies. I think there is much more fear of the public being misled if the Members of the newer Societies appear on the same public Register as men who have had to obtain more difficult qualifications. Undoubtedly in these other Societies you will find people who have failed to pass our examination. I cannot give you any specific instances because we have no records from which we could trace them, but as far as the public are concerned I think they are much more likely to be misled if such people appear on the Register with Members of my Institute than they are at present. We have protected the use of the name "Chartered Accountant" and particularly the use of the letters "C.A." One of the Societies, the Corporation of Accountants, I think it is not unfair to say, adopted the name in order to use the letters "C.A.", and we restrained them.

486. Any person can hold himself out to the public as an accountant whether he has any qualifications or not ?—Yes, but I do not think the public are misled.

487. Not in the case of the small trader ?—I do not think so. He has no reason to be. He must know that a Chartered Accountant of Glasgow is quite safe, although there may be numerous men outside who can do his work perfectly well. I have no evidence of the small trader being misled.

488. In Scotland do the small traders—I mean the quite small men—get men in to keep their books for them ?—I think a number do. The requirements of the Income Tax Authorities, for example, and occasionally the demands of bankers, compel them to, but I do not think they do so in other cases. Very often a man is asked to submit accounts for Inland Revenue purposes, and he cannot do it, and I think the Inland Revenue officials suggest that he should have accounts prepared by a properly qualified man.

489. Some of those traders might employ the man whose advertisement we have here today ?—No.

490. There is nothing to protect them against him ?—No. Can you protect them against him is rather the question, I think.

491. Bodies of accountants which give their Members the right to use designatory letters can be set up under the Companies Act, can they not ?—The present President of the Institute told me recently that a client of his had received a Circular from the Institute of Company Accountants, Limited, which was registered on the 9th September, 1929.

492. Does this not indicate that some control is desirable ?—The great difficulty I think is that there are certain branches of accountancy in which it would be quite unfair to insist that every man must be fully qualified, for example, the audit of a small grocer's accounts.

493. This organisation is called the Institute of Company Accountants ?—Yes, they do not quite aim at doing the business of public auditors, as they are called in the circular, but that is one of the troubles. Are their Members to be regarded as public accountants ? They refer to the registration proposal in their circular.

494. Do they require any qualifications ?—They say in the circular which invites membership that after a limited period membership will be obtainable by examination qualifications only.

495. At the present moment anybody could join and could advertise himself as a Member of the Institute of Company Accountants ?—Yes.

496. The name would appeal to the public ?—It seems to me that the growth in the number of these bodies will only be stopped by the difficulty of finding an attractive name ; they will all be used up soon.

497. Your suggestion is that there is a danger in the present situation ?—I do not think it is a danger to us.

498. If the public see a man is a Member of the Institute of Company Accountants a good many would not know what his qualifications are ?—I think we have educated the public to find out who are the men who are qualified.

499. How would you suggest you educate them ?—I am really only describing the present position, which as far as I can see is quite satisfactory. If the Registration authorities were going to insist on a qualification the same as our own, it would be all right, but I think they would be asking for a much higher standard than would be necessary for many accountancy duties.

500. You mean there are many men capable of doing good work who would not come up to that standard ?—Yes ; there are many men who have been trained in the accountant's department of a large company, and have no qualification similar to ours but who might want to start in practice at the age of 30 or 40. There is nothing to prevent them joining our Institute if they could get somebody to take them as apprentices, which might be a little difficult in view of their age. It is a difficult job for a man of that age to start ; he has to pass say the Oxford or Cambridge Local Examination before he can begin his apprenticeship, and then he has to attend all the classes, which would be a somewhat difficult matter for him at that time of life.

501. The total cost of becoming a Member of the Institute is about £52 ?—Apart from class fees. The apprentice has to pay his class fees at the University.

502. No premium is charged by Members of the Institute ?—No. An apprentice is given a nominal salary of £10, rising by £5 a year for the years of his apprenticeship.

503. Would you say at the present moment that the membership of the Chartered Societies in Scotland is sufficient to meet the demand of the public ?—I think the evidence is that we export them all over the world ; there is hardly any country where English is spoken where you will not find a Chartered Accountant from Scotland. I think I am right in saying that in London alone there are 400 Members of the Scotch Societies.

504. In paragraph 23 of the Memorandum you have referred to Income Tax law. Do you consider that Sub-section 3 (c) of Section 137 of the Act of 1918 has given rise to any difficulties in the accountancy profession ? In this Sub-section an "accountant" is defined as a person who has been admitted a member of an incorporated society of accountants ?—I think that is too wide.

505. That would take in the society whose advertisement we have just seen ?—Yes, it would. Of course that is an unfortunately drawn regulation which the Inland Revenue would probably admit to-day is rather wider than it should have been. I cannot tell to what extent members of other bodies appear before the Income Tax Authorities ; we have no evidence of it ; there must be some but there cannot be very many.

506. In paragraph 38 you say that you regard training during apprenticeship as vital ?—Yes.

507. By apprenticeship you mean apprenticeship to a Member of your Institute ?—Yes. The experience the apprentice gets in the practical work of an auditor is much more valuable than passing an examination on the subject of audit, which he can read up in a book without knowing very much about it.

508. But he would be able to obtain the necessary experience in the accountancy departments of public bodies and municipal authorities ?—Yes, but he would only see one form of accountancy. One has to admit at once that apprenticeship to one firm may be entirely different in the way of experience to apprenticeship to another, but in the larger firms he would see a variety of work which he could not possibly see in any individual concern, any one limited company or public body.

509. That would only be in the larger firms of accountants ?—It would only be in big firms that he would get the most valuable training. Of course I do not want to say that a man cannot be trained properly in a small firm ; he can, given certain circumstances.

510. (*Mr. Bellman*) : From what you have told us I gather that there are no premiums to be paid by apprentices to the Glasgow Institute, and that the total cost is the £52 entrance money. I suppose you would regard yourselves as one of the cheapest bodies for apprentices ?—Yes, probably the cheapest.

511. The Edinburgh Society charges 100 guineas on being articled, and 100 guineas on admission ?—I think 200 guineas is the total, but £50 of that goes to a Widows' Fund.

512. In paragraph 21 of the Memorandum you say : "There is no limit to the number of apprentices who may be taken by any Member." Can you give us any idea what is a fair average of the numbers of apprentices taken by your Members ?—There are at the present moment, I believe, 800 apprentices, and the number of Members in practice in Great Britain is about 560. That will give you the average, but in a very large firm you might find 20 to 30 apprentices.

513. You do not think that in the absence of any limitation a Member would staff his office with what is after all fairly cheap labour ?—That is not our experience. We require a certain number of qualified men on the staff and a certain number of apprentices. It is quite conceivable that a man with a small business might work with himself and only one apprentice. I do not think there is any abuse of the rule.

514. But there are cases where one firm may have as many as 20 ?—I do not think there are many cases of that kind ; one Member might have four apprentices.

515. There would be a number of partners in the firm ?—Yes. Perhaps I should say it is the charge clerks who train the apprentices and not the partners.

516. I think there are other instances of that. Do you regard your examination as severe as those of the English Chartered Institute or the Incorporated Society ?—Quite. In one respect it is a little easier. The English Institute I think still insists on all subjects being passed at one time, whereas our examination is divided into two parts. The Law is one part and the practical work another. We rather encourage a man to pass in two stages so that he may attend the Law classes and pass in the legal subjects, and then attend the Accountancy classes and pass the practical.

517. You refer to discipline in paragraph 24. Can you give us any idea of the number of cases in which after due consideration of all the circumstances, Members have been expelled. Are such cases frequent ?—I do not think we have ever had a case in Glasgow of a Member being expelled. Of course if a man becomes bankrupt he automatically ceases to be a Member. We have had cases of that sort. A man who was prosecuted in the Courts and held guilty of fraudulent practices would automatically cease to be a Member. I rather think we have had one case in Glasgow of that kind, but I am not quite sure.

518. Such a man having ceased to be a Member, and assuming in this case he was free from any sentence which may have been inflicted upon him in the Courts,

could go and practice and continue in practice as an Accountant but without using the designation "C.A." ?—That is so.

519. (*Mr. Walker Clark*): In paragraph 37 of the Memorandum it is stated: "For example, is a man who is admitted to it (the Register) to-day, but becomes, let us say, a stockbroker to-morrow, to be allowed to remain on the Register even if he remains a stockbroker for 20 years." Would there be any disadvantage in such a man being continued on the Register or being re-admitted to it at the end of the 20 years ?—It is rather difficult to answer. In the case of one man it might be he was unfitted to practice as an accountant, he might have lost all his previous knowledge of the subject; another man might have kept in touch with it sufficiently to be qualified. It is really a matter of the personality of the man.

520. That would obtain as regards some of the men who remain Members of your organisation ?—Yes.

521. If a man became a stockbroker would he still retain his Membership ?—He would have to remain on the Register.

522. So far as the public are concerned, and so far as the Institute is concerned, the difficulties which might arise if a Register was created really do not amount to much ?—No worse than the present position; I will put it that way.

523. I thought so. In the next paragraph you say: "No Register could be commenced without putting upon it a number of practising Accountants of definitely lower qualifications than the Members of our Institute and others." Do you mean to say that the Register must really have only one class of Members upon it. Have you not in your own organisation Fellows and Associates ?—No. We have no Associates.

524. In England of course they have ?—Possibly they may have, I do not know. We have nothing but Members.

525. Your Members are all fully qualified ?—They have all passed all the qualifying examinations, at any rate.

526. You admit women on the same footing as men if they are qualified, I presume ?—Yes.

527. In your replies to the Lord Chairman you twice used the words: "public accountants", not "Chartered Accountants". What is the meaning of the adjective "public" ?—I did not invent the word. A Chartered Accountant is of course a Member of a Chartered body, but a public accountant is any man who holds himself out as prepared to do general accountancy work. For example, a Member of the Corporation of Accountants, a Member of the London Association of Accountants, is, I suppose, a public accountant if in fact he carries on business as an accountant and is prepared to execute work in accountancy for any client.

528. But you have no definite and brief description of a public accountant in mind ?—I fail to find any way of describing even an accountant.

529. I should have thought an accountant is a man who does accounts ?—One of the striking things is that the list of duties which appears in paragraph 2 of the Memorandum does not include the most important work that is done to-day by accountants; there is no mention of auditing, and the list includes all the work which Mr. M'Clelland said he was prepared to undertake.

530. From your replies to the Lord Chairman I gathered that you wished Members of your organisation to be outside any Register that may be set up ?—Yes.

531. And if work in connection with Income Tax and Public Audit was confined to persons on the Register, your Members would be at a disadvantage ?—I was only saying that on the footing that our Members would be eligible to practice publicly with those whose names would be on the Register.

532. You want all the advantages of the Register and none of the disadvantages ?—If you like. I am quite prepared to take my chance with other people. I do not ask for any privilege over other people.

533. What is the minimum period of experience required in order to qualify for Membership of the Institute ?—Five years' apprenticeship.

534. The whole five years must in every case be served, must it ?—I must qualify that by saying that an M.A. or B.A. of Oxford or Cambridge would at present serve three years, (a period which will shortly be increased to four years). But then there is the practical question whether he can obtain his qualifications in those three or four years. I do not think he can obtain them in less than four years in fact.

535. It is not an actual five years' apprenticeship, but it is five years' apprenticeship or its equivalent ?—The equivalent is accepted only in the case I have mentioned.

536. (*Mr. Kenneth Lee*): You mention in paragraph 31 that there are certain restrictions in Roumania. Can you tell us what they are ?—There appears to be a law in Roumania dated the 13th July, 1921, which set up an Association of authorised bookkeepers and expert accountants, and stipulated that these professions should only be practised by members of the association. The law interprets the word "bookkeeper" to mean a person who keeps books of commercial transactions according to the principles of bookkeeping. I am quoting from a paper which was read last September by a gentleman from Holland who had gone into the position of the registration of accountants in all the Continental countries. Evidently a person must join this Association if he wants to be a bookkeeper or if he wants to practice, as we would call it, as an accountant.

537. Do you know whether there are any Members of your Institute who have practised in Roumania ?—Not residential.

538. I was wondering whether they have found any difficulties since this Law was passed ?—There is one in Bucharest, but he is probably an employee of the Astra Romano, one of the oil companies. He is a Member of the Edinburgh Society. He can probably join the Association by producing his qualifications in Edinburgh.

539. Is any qualification necessary for anyone who holds himself out as a bookkeeper ?—I cannot tell you what the qualifications are.

540. In paragraph 36 you say that it is the task of the existing Societies to educate the public ?—Yes.

541. Can you tell us any particular step that your Society takes ? Do you circularise ?—No, but the public is perfectly well aware that we have consistently enforced a system of training which qualifies men to perform the duties of accounting. I think the commercial public in all the big cities know that perfectly well.

542. How do you fulfil this task of informing the public ?—I am afraid as regards the small tradesman, unless he reads the papers, there is no way of informing him.

543. (*Chairman*): When you have been using the word "public" you have been referring to the commercial public—really to the bigger commercial public who would know what the words "Chartered Accountant" mean ?—And who are the only public who require the services of a skilled accountant. What the grocer requires after all is the services of an honest man who knows how to keep books.

544. (*Mr. Kenneth Lee*): How is he to select an honest man to keep his books ?—I do not think that should be very difficult in the average city.

545. (*Mr. Scott*): I gather that your objection on behalf of the Glasgow Institute to registration is that there would be a danger of a transfer of the prestige and status of your Institute to those who have neither the qualifications nor the ability to support a claim to them ?—I think it is inevitable that they would gain some of the prestige which frankly I think we have created.

546. At the present time there are, especially in England, quite a considerable number of other societies which have not qualifications either educational or practical on the same level as your own society. These societies appear to be steadily growing, and to a certain extent there are in Scotland certain societies and also individuals whose qualifications are probably not up to your standard. The number of these people I think you said has been steadily growing since 1911 ?—I think that is so.

547. Is that not a danger to the public as well as your own Chartered profession in Scotland. All of us in Scotland know that nothing can imperil the latter really, and you do, I am told, almost the whole of the accountancy work of any importance in Scotland; is not that so ?—I think so.

548. 90 per cent. to 95 per cent. of all the important work ?—Fully 95 per cent. I think.

549. Disregarding your own interests as a Chartered Society, the question here is the protection of the public. You agree in your evidence and in your statement that the number of those unqualified people is steadily growing ?—Yes, I think it is.

550. Would it not be desirable, either by legislation or in some other way, to try and protect the public so long as it would not detrimentally affect your Society ?—We have not had any evidence that the public have suffered from unqualified people in Scotland; I do not think there is any evidence of that.

551. You know of course that others who take the opposite view, who are in support of registration, say that there is a serious danger to the public. Mr. Keens, for instance, in his paper at the International Congress in 1929 claimed that a measure of protection was absolutely necessary on certain grounds. You are aware of that ?—I know that that is claimed. I have never heard of a case of the public suffering from the employment of unqualified men.

552. Then you do not quite agree with the view of Mr. Keens that there is a growth of these unqualified people from whom the public require to be protected ?—I am not qualified to speak about England.

553. You think there is no danger to the public when people who have really no qualifications are allowed to call themselves accountants, when there is nothing to prevent any body putting a name-plate on his door and calling himself an accountant. Do you not think there is some danger to the person who is misled by the expression "Accountant" ?—I am afraid I am rather individualistic in outlook. I like people to look after themselves. People should not be nursed through life so that they do not have to think at all.

554. We do not appear to carry that into other spheres. We endeavour to protect the public by legislation ?—I am not sure that some of that legislation is exactly the sort I entirely approve of.

555. In connection with other professions, for instance, quack doctors and others, the law steps in ?—It would not prevent me from consulting you, Mr. Scott. I might ask you for your opinion as to what to do if I felt seedy.

556. Taking a broad view, the law surely does step in in one way or another to protect the public against people who are unqualified ?—I should say endeavours to protect.

557. I think you have said that it would be necessary to put all accountants on any Register that may be adopted ?—All who are in practice today would have to be included, I think.

558. Is that necessary ?—I wish I thought not.

559. Let us assume for the moment that it is not necessary. Supposing that all the Members of certain Societies in England and Scotland were to be put on a Register and were entitled to use the designatory letters of their own Societies and in addition were entitled to put as a subheading: "Registered as a Public Accountant"; you would then distinguish them from the unqualified people connected with certain other Societies, or practising as accountants though not connected with any Society. Would it not be possible, and desirable perhaps, to establish a registration system whereby people who prove their claims, say to a National Board, as equipped both educationally and from actual experience to act as public accountants, could be admitted and permitted to act as registered public accountants. That would leave for the time being a residuum of people who are either too old or too lazy, or have some other disqualification, and who would not be inclined to qualify for registration as public accountants. They would continue as at present, and the public would have to protect themselves, but the ambitious and younger men would be able under this system to prove to this National Board that they were entitled to be called registered public accountants. Would not that be in the public interest ?—Yes, but that scheme would not restrict the practice of the profession to the men on the Register. I think I would quite approve of a Register which contained only men who had passed certain qualifications.

560. (*Chairman*): Without restriction of practice ?—Yes, without restriction.

561. (*Mr. Scott*): I am glad to hear that, because this question of registration seems to boil itself down into a comparatively narrow compass. First of all, supposing that all Members of Chartered bodies and the other well known leading accountants' bodies, perhaps they may be two or three, were entitled to registration automatically, and the addition of an extra label which they could use or not as they chose. Then as regards the remainder, we could try to protect the public by saying: "If you are going to call yourself a registered public accountant you must prove that you are educationally and by actual accountancy practice entitled to that name". Would you see any objection to that ?—No, I do not see any objection to that except the objection which I have already stated, that it probably would mean that the public would have more difficulty in differentiating between those who have obtained the higher qualifications which we exact and those who only have the lower qualifications of the Public Register. I assume you would not have the same qualifications for the Register as we now have, because if so then they could join our Institute today.

562. Surely some standard of qualification is desirable rather than none. We have none at present. Any person can set up as an accountant ?—I am not sure that I go the length of that. It depends on the standard.

563. Supposing the standard was adequate, would you not approve of it ?—Yes, but if you ask me that, I should say that anything below our own standard is certainly not ideal and probably not adequate.

564. Take people in the world of medicine or in education; you have different degrees and qualifications, different standards of education or whatever it may be; at any rate you have men in the medical profession and in the educational world who have certain special qualifications indicated by their degrees. Is there any reason why in the accountancy profession you should not have Chartered Accountants who are automatically registered as public accountants as well, and also have an inferior body who are thoroughly respectable people and who are well qualified for the ordinary duties of accountancy ?—There is no reason against that except that it would be unfortunate if the result was that the average boy going into the profession accepted the lower grading.

565. The difficulty is that since 1911 there has been a steady growth in England and to a certain extent in Scotland in the number of people practising without qualifications at least up to a reasonable standard. How are we to stop all that unless by registration ?—Unless you restrict the practice of accountancy you will not stop it even with a Register.

566. Would it not tend to make a wider cleavage between the man who is a registered accountant and a man who is not ?—In the minds of the small traders ?

567. Yes.—I should doubt it.

568. Would it not limit the danger ?—Yes, it might limit it.

569. (*Mr. Wills*): I understand your objection to the principle of registration, but I am not quite clear why it is, assuming that one had to have registration, you would wish the Members of your Institute and other bodies of Chartered Accountants not to be included in the Register ?—I think we would prefer our own standard of education to what would be probable in the case of a Register.

570. Would it not be possible to combine them. There are various ways—going back to the Medical Register—of getting on the Medical Register. Doctors have various degrees which they indicate on their brass plates. A man does not merely put up "John Smith, Doctor", he shows his degrees and one can attach a certain value to them. Would it not meet your case if Chartered Accountants were still to have the exclusive right of calling themselves Chartered Accountants, and Incorporated Accountants of calling themselves Incorporated Accountants, and so on through the whole number of letters which may be used by the various bodies ?—I can think of no Register that would meet your requirements.

571. I do not really see why, given a Register, you should remain outside it ?—Those of us who wish to practice would have to go on the Register.

572. (*Chairman*): It is more of a sentimental objection, is it not ?—Probably it is.

573. (*Mr. Wills*): Do you not think the ambitious young man entering the accountancy profession would still want to put "C.A." after his name just as the ambitious young medical student wants to put "M.D." after his name ?—I think that depends on how far the public would go in preferring the services of the Chartered Accountant to the Registered Public Accountant.

574. The public would go to the better known firms would they not ?—Yes.

575. And the ambitious young man would wish to get into those firms. Would it not work that way ?—Yes, probably.

(*The Witness withdrew.*)

MR. JOHN REID, C.A. (*Secretary and Treasurer*), representing the Society of Accountants in Aberdeen, called.

THE COMMITTEE HAD BEFORE THEM THE FOLLOWING MEMORANDUM SUBMITTED BY MR. JOHN REID, C.A. ON BEHALF OF THE COUNCIL OF THE SOCIETY OF ACCOUNTANTS IN ABERDEEN:—

MEMORANDUM No. 9.

1. I am and have been Secretary and Treasurer of the Society of Accountants in Aberdeen since the year 1912.

2. I have been in practice as a C.A. and a partner in the firm of James Meston & Co., C.A., Aberdeen and London, since 1905. I am an Examiner and a member of the General Examining Board of the Chartered Accountants of Scotland. I am also Lecturer in Accountancy and Business Methods in the University of Aberdeen.

3. The Society was incorporated by Royal Charter in 1867.

4. I produce a copy of the Royal Charter* and the Rules and Regulations of the Society.*

5. The members of the Society at this date total 163. The whole of these have been admitted to membership after serving an apprenticeship and passing the examinations, with the exception of one member who was admitted in 1871. This member at admission was a qualified law agent, and was in partnership with a member of the Society.

6. The Council of the Society of Accountants in Aberdeen have perused the Memoranda of Evidence proposed to be submitted on behalf of the Councils of the Society of Accountants in Edinburgh, and the Institute of Accountants and Actuaries in Glasgow, and, in order to avoid repetition, desire to state that they are in entire agreement with said Memoranda, and are prepared to corroborate same.

* Not reproduced.

7. The question of registration has arisen over the Audit Clause relative to the Audit of the Accounts of Local Authorities in England and Wales. In Scotland this does not arise, as, under the Local Government Acts the appointment of the Auditors of the Accounts of bodies falling thereunder, is vested in the Secretary of State for Scotland and he almost invariably appoints Members of one or other of the Scottish Chartered Accountant bodies. The public have no voice in the matter; but, nevertheless, they have raised no objection thereto. The arrangement is believed to have worked very satisfactorily throughout.

8. So far as can be ascertained, the first professional Accountant in practice in Aberdeen was a Baillie Galen who is described as a Professional Accountant in connection with a Report of a Select Committee of the House of Commons. A Mr. Wm. Elgin was in practice in 1824, and others followed later. The Society of Accountants in Aberdeen originated about the end of 1866, and a petition for incorporation by Royal Charter was thereafter presented and granted in due course on 18th March, 1867. The Charter is in terms similar to those granted earlier to the Edinburgh and Glasgow Societies.

9. The first President of the Aberdeen Society was Mr. John Smith, who had practised as an accountant from 1831, and the first Secretary was Mr. James Meston, who commenced practice in 1857. At the formation of the Society there were 12 members, and at 31st December, 1929, the membership was 150. Of the latter 27 are in public practice in Aberdeen, the others being in other parts of Scotland, England and Wales, Ireland, and abroad. The affairs of the Society are administered by a Council of Office-bearers

—President, Council of 6 members, Secretary, and Treasurer—elected annually at the Annual General Meeting of members.

10. In 1902, the "Aberdeen Chartered Accountants' Widows' Fund" was formed, to which it is compulsory for all future members of the Society to contribute. Two-thirds of the dues of admission to the Society are handed over to the Widows' Fund and, in addition thereto, the Society from time to time makes substantial grants to the Fund. A minimum annual contribution of £3 is also payable by the members to the Fund, with an Age Tax and Marriage Tax according to circumstances. The annuity to widows of members is £35.

11. In Aberdeen every encouragement is given, and classes are established for apprentices as and when required, and the Council of the Society make grants to assist defraying the expenses in connection therewith. A well-stocked library is provided for the use of the members of the Society and apprentices.

12. The Council have appointed a Director of Studies, who advises apprentices as to the lines on which to pursue their studies, and in particular assists them in deciding at what stage and in what order to take the various classes which they are required or recommended to attend.

13. A lad apprenticed to a member of the Aberdeen Society is required to pay to his master on the execution of his indenture a uniform apprentice fee of £42. As already indicated, the period of service under indenture is regarded as a preliminary period of training necessary before the candidate can expect to become self-supporting, and no provision is made in the indenture for payment for the apprentice's services. Notwithstanding this, however, it is customary to pay a nominal salary throughout the apprenticeship. On the recording of his Indenture in the books of the Society, the apprentice must pay a fee of £10 10*s.*, which entitles him to the use of the Society's Library during the whole period of his apprenticeship. The examination fees are of small amount. On admission the candidate must make a single payment of £52 10*s.* to the Society, and an annual subscription thereafter of £1 1*s.* In addition, he has to pay £3 per annum as his contribution to the Widows' Fund of the Society. There are at present serving under indenture with the Aberdeen Society 51 apprentices.

14. In supplement to the evidence already set forth on behalf of the Edinburgh Society and the Glasgow Institute relative to the extensive employment of Chartered Accountants in audit work, it has to be noted that they are also employed as expert witnesses in giving evidence at Parliamentary Enquiries in connection with the promotion and examination of various Bills, and more recently in connection with matters affecting the Coal Trade and other Trade disputes. It is significant that the Government have shown a preference for Chartered Accountants where they want to be advised on questions of Accounting. Further, it is now somewhat general to find Chartered Accountants being engaged by large Commercial and Industrial Companies to act in the capacity of Financial Advisers and Accountants, as distinct and apart from the Auditors.

15. The prospects of a young man qualifying are substantial, especially abroad. Very seldom does the financial element preclude the right class of lad from pursuing the necessary course of studies, and it is recognised that the cost to him for his training and qualifying is less than what it would be for other learned professions, especially having regard to the fact that he from the start of his career receives a salary.

16. So far as the North of Scotland is concerned, there has been no evidence of any desire on the part of the public or the profession for registration. The public are satisfied beyond question with the services they receive from the profession as now organised by the Chartered Accountant bodies.

17. It cannot be too strongly emphasised that it is of the utmost importance to keep in view that practically the whole of the work of the professional Accountant is of a strictly confidential nature.

18. If it be decided to establish a Register it is most strongly submitted that the members of the Scottish Chartered Accountants' Societies are entitled to be placed thereon without any further enquiry or examination, and that said Societies be given the fullest and every proper safeguard for their existing rights, especially in respect to their sole right to use the letters C.A. (which they have acquired through legal decision of the Court of Session) and full recognition and protection for their respective Royal Charters.

19. In conclusion, it is respectfully submitted that if the Government decide to establish a Register only the names be placed thereon of public practising professional Accountants of good character and reputation, holding a high standard of qualification and proficiency and who by long training and experience are in a position to adequately give the services required and expected of them, and that those who in no sense can be recognised as practising public Accountants be excluded. The general public will be entitled to assume that those who are placed on the Register will be men in whom they can place implicit confidence and employ as fully qualified to give the services required of professional practising Accountants.

14th March, 1930.

MR. JOHN REID examined.

576. (*Chairman*): Mr. Reid, I understand that your Society is in agreement with the views that have been expressed in the evidence given by the Institute of Accountants and Actuaries in Glasgow ?—That is so.

577. Would you like to add anything to your written Memorandum ?—After further and fuller consideration I have come to the conclusion that there is no call for registration. There is no demand on the part of the public for registration, and the public is not suffering in any way from the present position; in fact they are very well protected at present by the existing Societies of Chartered Accountants and Incorporated Accountants. If registration were promoted and carried through, my feeling is that we should be allowed to stand where we are. We have our registers and we have our standard of education to begin with.

578. Do you mean outside the Register, when you say remain as you are ?—Yes, we have a register already established and in working order.

579. You would wish to remain outside the Register only if the practice of accountancy were not restricted to persons on the Register ?—Yes.

580. But you would come in if it were so restricted ?—Yes; if you restricted the work to those on the Register, then of course we could not remain outside. But we have already a register and a standard of education and qualification and apprenticeship and training. We have discipline and we fulfil all the wants required by the public at present. We supervise all our Members very carefully, and I say we have already in working order a register which is perfectly good. Therefore I think if there is to be registration we should be allowed to continue as we are, namely outside the Register.

581. I think that in 1911 your Society supported the Registration Bill in the House of Lords ?—That Bill was promoted by the Institute of Chartered Accountants in England and Wales and the Incorporated Society, and had received a sort of lukewarm

blessing from us. We were not fond of it, but we thought if it was to be we would not stand out. They were two very large bodies and we thought that we would not stand out if they were supporting the Bill. Obstacles developed as the Bill progressed and in the end we saw it was utterly hopeless to think of going through with a Bill of that nature; with so many outside people wanting to get on to the Register it would render it absolutely useless and futile.

582. You do not consider qualified accountants need any protection against unqualified men who advertise and work for reduced fees?—I do not.

583. Our attention has been drawn to an advertisement in the "Glasgow Herald" which ran: "Income Tax and Surtax. For the preparation of Returns, Claims, Appeals, and any tax difficulties, consult ————, (late Income Tax Department, Inland Revenue), ———— Street, Glasgow"?—Yes.

584. You do not think qualified men need protection against an advertisement of that kind?—Not in the least.

585. Do you think the public should be protected?—I have never heard any complaint of the public in regard to these people. They are petty people, they do perhaps some small tradesmen's books, but that is all.

586. Supposing there was a complaint by the public against such men, would you have heard of it?—I should certainly have heard of it.

587. In your opinion, the public in Scotland have not suffered as a result of employing men of a lower qualification?—I have heard of none.

588. But I suppose they are employed?—They are employed, but it is only by petty people, very small business, trifling business.

589. Do you consider it undesirable that anybody, whatever his qualifications and character, should be able to hold himself out as an accountant?—I do not see any great objection to it.

590. I think Mr. Rintoul holds the view that instead of adopting registration, he would prefer to educate the public not to employ unqualified persons. Do you agree that the public need education?—I think in Aberdeen the public are already educated. I have spoken to a great many business men and they were not aware that there was anything else in existence but Chartered Accountants.

591. There must be other parts of Scotland not so well educated as Aberdeen where people might not understand the difference?—I am afraid I am not able to speak for other parts of Scotland, but Aberdeen is a fair sample of Scotland, is it not?

592. Bodies of accountants which issue diplomas and give their Members the right to use letters after their names can be formed by the simple process of registration under the Companies' Act, can they not?—I believe that is so.

593. Mr. Rintoul has just informed us that in a circular sent out by the Institute of Company Accountants, Limited, it is stated that after a limited period membership will be obtainable by examination qualification only. At the present moment presumably anybody can join that organisation. Might not the public think that a company of that kind—not the commercial public but the smaller public—was composed of men whose qualifications were equal to those of Members of the Chartered Societies?—The public have had before them for many years now I believe about seven or eight different bodies of accountants which have been formed under the Companies' Acts, and my experience is that they do not know of their existence. In fact the only accountant I ever came across in Aberdeen who was employed by small people was a man who was not connected with any society whatever. He came to me and asked me to sign a paper from some limited company which was headed: "If you join our Society you will be entitled to practise before the Commissioners of Inland Revenue." I happened to have been auditor for his firm, and I said: "What do you do to get this membership?" and he said: "You have to pay five guineas; will you sign the paper for me?" I said: "No, because I do not think you are qualified to practise before the Commissioners of Inland Revenue", and I did not do it.

594. In your view these Societies are not a danger because you do not think the public are acquainted with them?—I do not think so; I think the public are quite alive and able to judge who are the proper accountants.

595. Even the smaller men?—There may be some smaller men.

596. Do you think the small trader who wants an accountant has as a rule sufficient acumen to select the right man?—Even the small trader has to be called upon by these gentlemen touting before they get their jobs, and it is very insignificant I should think.

597. What proportion of your membership are in public practice on their own account; 163 is your membership?—163 is the total membership.

598. And 27 practise in Aberdeen?—Yes, 27 in Aberdeen, but there are others who practise elsewhere. I am afraid I have not those figures for you, but there are others who practise elsewhere on their own account.

599. Do you regard apprenticeship service as essential to efficiency?—Absolutely vital.

600. You do not think the necessary experience could be obtained in the accountancy departments of big commercial firms or municipal corporations?—Certainly not, because the man simply goes through a groove in that case.

601. Does not a man go through a groove as an apprentice, if he is not in a very big firm?—The general practice is to put an apprentice through the various departments of an office and to give him experience in all the varied business transactions in the office.

602. The value of that depends to a very great extent on the size of the firm?—I suppose it would to some extent, but the smaller the office perhaps the more varied the experience.

603. I think you lay some special emphasis on the fact that practically the whole work of a professional accountant is of a confidential character?—It is very highly confidential.

604. Does not this suggest that some form of registration, in order to secure qualified men, is necessary?—I do not say that it is necessary to get a man of a high moral standard; we have already got him in existence.

605. You say you already have registration?—Yes, we have a register going at present.

606. Therefore you would confine the system of registration to the big Societies?—We have no obstacle to the boy of humble means coming into our Society if he has the ability; we have many such in Aberdeen.

607. What is the cost of apprenticeship?—The cost is 50 guineas to start with, and we give a salary the first year of £20 to £30 to the apprentice to begin with; it goes on rising until perhaps in his fifth year he is receiving £50, £60 or £70 as salary.

608. (*Mr. Branson*): You said the result of your enquiries in Aberdeen showed that the business community there at any rate did not know there was anything else except the accountants who are Members of your Society?—That is so.

609. You do not mean, do you, that if one of the gentlemen from whom you enquired sees the name of an accountant on a brass plate he assumes at once that he is a member of your Society?—I think there is only one brass plate in Aberdeen with that on it that I know of.

610. What do they put on their brass plates?—There is only one that I know of with "Accountant" on it; it is usually "House Factor" or "House Factor and Accountant."

611. Do you not indulge in brass plates?—Yes.

612. What do you put on them?—Chartered Accountant.

613. If you have any description which is common both to Members of your Societies and non-members, will it lead the public to believe that the non-members are on a parity with the others?—There is no confusion at present.

614. No, not now, but, if you are made to adopt some common designation, do you anticipate that there will be confusion?—Yes, absolutely, there might be confusion then without a doubt.

615. (*Mr. Walker Clark*): In your Memorandum, (paragraph 17), you speak of the confidential nature of your work. Do your clerks take the oath of secrecy?—We do not put them through the formal oath, but we tell them the position.

616. You trust their honour?—Yes, we tell them what is expected of them.

617. Clerks in the Inland Revenue have to take an oath of secrecy as soon as they undertake the work?—We do not put it so formally as that, but we tell them that anything which occurs within these walls is not to be told outside.

618. You go on to say: "If it be decided to establish a Register it is most strongly submitted that the Members of the Scottish Chartered Accountants' Societies are entitled to be placed thereon without any further enquiry or examination." Would you wish to be on a Register if a Register is established?—We do not want this Register at all and we do not wish to be on it, but I agree we would have to go on if compulsory before we could practise.

619. The mere fact that you are members of your organisation should *ipso facto* qualify you?—I think so.

620. You say in paragraph 16: "So far as the North of Scotland is concerned, there has been no evidence of any desire on the part of the public or the profession for registration." I was present at a meeting yesterday when a statement was made by a Scotsman, (he is living in England and may have got slightly contaminated by association with Southerners), that in connection with the administration of insolvent estates they were constantly finding men practising as accountants who had no qualification whatever and were not men of principle?—I fancy that would arise from these so-called accountants who tout for business, who go round and often open the ball by collecting bad debts. They begin with that and of course they are able to get into touch with some debtor who is not able to pay and they gradually get him made bankrupt, or something of that kind, and so get a footing.

621. Get appointed as trustee or liquidator?—Yes; some of them are expert at that, no doubt.

622. Is not that a very serious disadvantage to the properly qualified man?—We do not think so, because no merchant would countenance a man like that coming in; it is only the small man who does not know better.

623. There are a number of cases of this kind?—They are very trifling.

624. Even although the numbers are considerable?—I do not know the extent of it; I have not come across it to any great extent.

625. You have not come across it?—No.

626. (*Mr. Scott*): I gather that your experience in Aberdeen is that the whole of the accountancy work in Aberdeen and round about is done by members of the Chartered Societies?—That is so.

627. Do you happen to have any personal knowledge of other people connected with some of the less well-known Societies who have been doing accountancy work in that area?—I have made enquiries since this Committee was set up and I find that there are six Members of the London Association of Accountants in Aberdeen, but none of them are in public practice; they are bookkeepers and clerks in offices; of the Members of the Corporation of Accountants, Limited, there are 12 in Aberdeen, and two of them are in public practice; the rest are bookkeepers, clerks and so on. Then there are others who are not connected with any body that I can find out who call themselves in the directory "Accountants"; there are 8 of those and they are practising as debt collectors, house agents, income tax experts, and so on.

628. Although the danger in Aberdeen seems to be limited, you are aware that in England, and in Scotland in some other areas, the number of these people who are either unqualified, or have very slender qualifications, has very largely increased since 1911?—I have no doubt about it.

629. I suppose you are interested in this question, apart altogether from Aberdeen?—That is so.

630. Do you not think it is desirable, if possible, to protect the public by some measure, either of registration or something of the kind, against those unqualified people?—If it is established that the public require anything of the kind, for which I cannot speak, then I say we do not want to be dragged into this protection; we are already protecting the public and we do not want to be dragged down into this Register.

631. No, but assuming that the Members of your Body, like the Chartered Accountants of Glasgow and Edinburgh, and England here, are all admitted automatically to the Register, you would not need to call yourselves registered; you could leave that out altogether and continue to call yourselves Chartered Accountants. Probably your experience in Aberdeen is that, even with the existence of registration, the public would continue to support the Chartered Accountants' profession in the same way as before registration?—Certainly not; then men could say: "We are on the same Register as the Chartered Accountants", and that would be very misleading.

632. Is the public so lacking in discrimination?—The public does not know of these intricacies, I should say.

633. (*Chairman*): Exactly, but if that is so they might now employ unqualified people?—Yes.

634. Then they are not able to discriminate at present between the qualified and the unqualified?—They only know the qualified man with us.

635. (*Mr. Scott*): We have practising in various parts of Scotland and in England a large number of men who have very limited qualifications as accountants. They may be doing excellent work in a very narrow sphere identified with a particular trade, profession or calling, but they are not entitled to be regarded as of the same status as Chartered Accountants. We have in addition a large number of men who have no qualifications at all who go about calling themselves accountants and misleading the public. Supposing you had the registration of public accountants made compulsory you could still call yourselves Chartered Accountants. Do you not think that would help to safeguard the public?—It seems to me you would require several Registers, for example, a Register of Income Tax Experts and a Register of Debt Collectors.

636. No. Any members of the Chartered Societies would be entitled, under registration, to continue as they are at present, but the men who were anxious, although they could not attain to the standard of a

Chartered body, either because of age or other reasons, to qualify themselves as far as possible would, if they could pass the educational and practical efficiency standards of a National Board, be entitled to be called "Registered Public Accountants". Would that not be a safeguard to the public?—Yes, certainly. If you had a National Board to admit anybody with the proper educational and training qualification you would be practically setting up a standard equal to the existing standard we have.

637. You recognise it is not in the power of many people to become Members of the Chartered bodies because they start too late in life, and yet they may have been practising quite a long time as accountants?—Quite true.

638. Supposing you say to any of the younger men of that description: "Well, if you want to be a Registered Public Accountant you can do so by showing yourself equal to a fairly high standard".—Yes.

639. Could not they all go in for the profession without hurting the Chartered bodies?—Yes, if you keep them on a separate Register.

640. You would admit that there is the same reason for discrimination in the accountancy profession as there is say in the educational world, where if you are wanting a Rector for an Aberdeen Academy or a Professor for some University you look at all his qualifications and degrees?—Yes.

641. Those represent different standards. There might be two standards in accountancy. You could have the qualifications of the Chartered and a certain number of other Societies which automatically entitle the members to be Registered Public Accountants, and in the second place you would have men who would be entitled to call themselves Public Accountants, or, if they chose, to call themselves Members of the less known Societies?—Yes. Is it necessary to have this separate thing? Already those men who want to have that qualification get it by going to a Chartered Body or an Incorporated Society man and get apprenticed to him. Is it necessary to have a separate Register?

642. I do not know if you have had the opportunity of looking at the qualifications of the Members of the various Societies; they have all different standards and there is no uniformity. A National Registration Board might I think ensure uniformity in educational standards, and to a certain extent a measure of uniformity of actual practical training, although you have not that uniformity in all the Chartered Bodies at present?—That is inevitable.

643. Do you think it is desirable?—Yes, it might be useful to have a proper standard of training for outside Accountants.

644. If you think it is desirable that we should level up what I call unqualified people as regards standards, do you really think it would affect in any way detrimentally the first-class Societies such as your own?—It would affect our Members; it would be a levelling down in my view.

645. Why?—Because they would all be able to say: "We are of the same party as the C.A." if they were on the same Register.

646. They would say that perhaps, but they would not be speaking the truth?—They would be speaking the truth if they were saying they were on the same Register as the C.A.

647. But that would not entitle them to call themselves C.A.'s?—No.

648. Do you think that the difficulty is too great to be overcome by safeguarding the public probably in the way I have suggested by establishing a Register?—You could have a Register for them if the public require safeguarding, as I said before, but I do not see why we should be dragged down to that. The number of people who would go on it would be a huge number of thoroughly unqualified men.

649. You would have a distinct hallmark. The public would know that if a man was not a Registered Public Accountant they had better look out?—Do I understand that the number coming in would be all those income-tax experts and debt collectors, and that we would come alongside of them?

650. No, no man would go on to the Register until he thoroughly satisfied this National Board, and as far as those existing are concerned only a comparatively small proportion would manage to do that. It would certainly take them years to do it, but you would have drawn a line for the future. In twenty years' time you would perhaps find that the number of unqualified men was quite trifling, if there were any at all?—I am afraid I have not much faith in a National Board keeping out a block of men. If they were to say they were members of a Society, they would be admitted *en bloc*, and that would be very detrimental to us.

651. Your point is that to give them the title of Registered Public Accountant would injure the members of the well-known Societies?—And also the public.

652. (*Mr. Wills*): You say in paragraph 7 of your Memorandum of Evidence that a difficulty has arisen over the audit of the accounts of Local Authorities and that the Secretary for Scotland appoints the Auditor and he invariably appoints a Chartered Accountant. I understand that this arrangement works satisfactorily and that the public raise no objection. Can you tell me whether any of the other societies of accountants have raised any objection?—Not that I am aware of.

653. As far as you know they have not claimed to be considered?—They may have put forward a claim, but I am not aware of it.

(*The witness withdrew.*)

MR. ROBERT BOUGHEY (*Member*) and MR. RICHARD W. BUSH (*Member*), representing the Professional Accountants' Alliance Limited, called.

THE COMMITTEE HAD BEFORE THEM THE FOLLOWING MEMORANDUM BY THE EXECUTIVE COUNCIL OF THE PROFESSIONAL ACCOUNTANTS' ALLIANCE, LIMITED:—

MEMORANDUM No. 10.

1. This Organisation was incorporated on the 25th October, 1927, and its principal object is to represent Accountancy practitioners who, whilst being qualified in the theory and practice of the Profession, are not members of any other Professional Organisation. To the best of our information there are approximately 1,500 such Accountants in practice in the United Kingdom.

2. In our opinion, Registration of the Profession is desirable provided that the interests of all Accountants now in practice are safeguarded. There seems no reason to emphasise this proviso, as Registration Bills of other professions, and Accountancy Registration Bills in other countries invariably, to the best of our knowledge, incorporate transition stipulations that ensure the continuation of rights obtained before Registration was effected.

3. The opinion, however, that Registration is desirable is expressed on the assumption that "Registration" implies the proper establishment and control of the Profession by a central body on the lines of the Medical or Dental services, and not merely a formal Registration by licence. Whilst a proper regulation of the Profession is desired, we think, both by the Profession itself and by the public generally, no useful purpose would be served to either one or the other by a Registration of "licensed" practitioners, without there being some satisfactory proof of ability or training, and some measure of control over the conduct and practice of the Profession.

4. The methods of establishment and control of such a Register are matters which, we respectfully suggest, can only be considered in detail after a closer definition of terms has been made. Primarily it is necessary to define "the practice of the Profession of Accountancy." Professional Accountancy to-day embraces a variety of subjects, the majority of which cannot be held to be the sole prerogative of that Profession. Taxation work generally is an important part of the practice of most Accountants, but nevertheless such work is also carried out by Solicitors, Bankers, Estate Agents and Taxation Agents, none of whom could be rightly designated a Professional Accountant.

5. If such work is to be reserved to the Registered Accountants, it seems necessary either to admit all such classes to the Register, which we suggest is impracticable, or to abolish the rights of such classes to perform such work, which is against precedent and against public policy. We suggest therefore that such work could not be restricted within the term "the practice of the Profession of Accountancy", although it necessarily forms a part of such practice.

6. Similarly with the opening and writing up of books of account, which work is also undertaken by book-keepers, who again would not profess to be Professional Accountants. The same reasoning can be applied to Executorships, Trusteeships, Directorships, whether technical or otherwise, Secretaryships, Commercial, as distinct from Professional, Accountancy, Company formations, etc., all of which work comes within the scope and practice of the Accountancy Profession, but which is also undertaken by other persons who, although probably qualified for their individual positions, are not necessarily qualified as general practitioners.

7. The only sphere of Professional practice that can be exclusively reserved to the Registered Accountant would therefore appear to be the audit and/or certification of accounts, and the right, together with the Legal Profession, of appearance and hearing at income Tax appeals in a Professional capacity.

8. Assuming that Registration of the Profession is established on these or similar lines, in accordance with precedent it would be necessary to grant the full benefits of Registration to all persons who, at the date of compiling the Register, were practising in the capacity indicated in paragraph **7**.

9. The control of the Register should, we consider, be in the hands of a central Board of Control, which should not be composed solely of members of the Profession. The conduct of the Profession is a matter that vitally concerns interests far beyond the actual Profession itself, and if Registration is to be beneficial to commercial, financial and trading interests, we think it is desirable that these should be adequately represented on the Board of Control, either directly or through the Board of Trade.

10. This Board of Control should have power to regulate the establishment of the Register and Professional conduct, and to take disciplinary action, but inasmuch as the Profession is not yet a cohesive body, we consider it essential that on questions affecting admission to the Register and suspension or expulsion therefrom, there should be reserved a right of appeal to a body, independent of the Profession, acting in a judicial capacity. We emphasise this opinion for the reason that we do not consider it possible, with the present lack of Professional co-operation, to appoint Professional members to the Board of Control who would be representative of the interests of every individual member of the Profession, and in a matter of such vital personal importance as the ability or the disability of a person to practise his Profession, we feel that the decision should be beyond the influence of Professional differences.

15*th March*, 1930.

MR. ROBERT BOUGHEY examined.

(*Chairman*): Is there anything you wish to add before we ask you questions with regard to your Memorandum of Evidence?—No, Sir; I think that is fairly conclusive.

654. I understand that one of the conditions of membership of the Alliance is that candidates must be qualified in the theory and practice of bookkeeping and accountancy?—Yes.

655. What evidence of the possession of those qualifications do you require from candidates?—So far as the Fellowships go, and that is the main consideration, the fact that they have been in practice for, say, five years, or, with suitable experience, any other period, and that they have in fact been earning their living by the practice of the Profession.

656. A minimum of five years?—Not necessarily. If a man has been earning his living as a practising accountant for five years, or if he has been properly trained and has only been earning his living on his own account for two years, we still say that there is a very strong inference that he is qualified.

657. What is your present membership?—158.

658. Of those how many are in practice on their own account?—May I split them up and say that 113 of those are Fellows.

659. Of the 158?—Yes, and 45 are Associates. Of the 113 Fellows, 22 are not in public practice now. That leaves 91 who are in public practice.

660. You have only two classes of members?—Yes, Fellows and Associates.

661. Do you exercise disciplinary control over them?—At the moment, no. May I make it clear that so far as our admissions are concerned, and so far as the Alliance is concerned, we are not in a position to say at present that, because a man is member of the Professional Accountants' Alliance, *ipso facto* for that reason he must be an accountant of ability. We make no such claim; we have not yet been able to institute examinations, and consequently the Alliance is really formed for the protection not merely of the 158 members but of roughly 1,500 accountants who are unattached and in practice in this country.

662. And for the protection of the public?—As a secondary consideration perhaps; our main object is the protection of the unattached accountant.

663. Your main object is to get together in one body the accountants who do not belong to other Societies?—That is so.

664. But at present you do not exercise any disciplinary control over them?—That is so.

665. And you have not a definite qualification?—That is so.

666. In paragraph 3 of your Memorandum I think you say that a proper regulation of the profession is desired by the members of the profession and by the public generally. For what reasons do you think the

profession desires registration ?—Chiefly from the opinions expressed by very eminent Members of the profession, Members of the Senior Associations. Without going into names I think all the Associations have at various times (not necessarily at the present moment) expressed opinions in favour of registration and the proper regulation of the profession.

667. Have you any evidence of a public demand for it ?—No, Sir, but really we consider it is just as necessary, as in the case of doctors or dentists, that any member of the public approaching an accountant should know as a fact that he is capable of carrying out the work that ordinarily comes within the scope of a general practitioner. Registration would not necessarily benefit the public immediately under that head ; it obviously depends on the manner in which registration is brought into effect.

668. Do you think that the public at the present moment needs protection ?—I think it is very desirable from their point of view.

669. Do you happen to have any instances in which the public have suffered through employing an unqualified accountant ?—There again we come to the question of qualification. When you say an unqualified accountant, do you mean an accountant who is not a member of one of the Senior Institutes or who has not passed their examinations.

670. No. We can quite agree, can we not, that there are a certain number of people who have very little qualification as accountants but who tout for business ? —Yes.

671. Do you think the public suffer from them ?—Whether with their knowledge or not I do not know, but I think they do suffer. I think in the ordinary experience of every practising accountant there must have been evidence at one time or another that they have suffered. One cannot give personal instances because it obviously reflects discredit on the people involved, but I have in my own personal experience had to undo work that had been done, and it is obvious that such work had been done without any real experience of the work. I could give personal instances, but it is hardly advisable and I do not think perhaps it is necessary to do so.

672. But there have come to your personal notice instances of that character ?—Absolutely.

673. In which the public have suffered ?—A large number.

674. In your opinion registration would protect the public against such cases ?—I think so, even if not immediately ; that must depend on the method of registration. The immediate benefit may not be there, but if there was a Register there would be a survival of the fittest in due course, and an elimination of the unfit, which would tend to give the public protection.

675. In your opinion would it be difficult to describe an accountant ?—Very difficult ; we have attempted to in the Memorandum we submitted, but an accountant, whatever his qualifications, these days is very much, though not quite, a " Jack of all trades."

676. Which paragraph is that ?—Paragraph 6 ; that mentions quite a number of duties which normally fall within the scope of any practising professional accountant : paragraph 4 gives a little further detail.

677. In paragraph 7 you say that the only sphere of professional practice that can be exclusively reserved to the Registered Accountant would appear to be the audit of accounts ?—Audit and/or certification. The preparation of accounts is necessarily undertaken by many people without any special qualifications.

678. If there was restriction of practice those would be the only classes on the Register ?—Yes.

679. That being so, as regards the other classes of work the public would continue to be unprotected ?—That would be so, but nevertheless the audit and/or certification of accounts is the thing of primary importance.

680. In paragraph 8 you suggest that it would be necessary to grant the full benefits of Registration to all persons who at the date of compiling the Register were practising in the capacity indicated in paragraph 7 ; you mean practising on their own account ?—Yes, if such practice includes the audit and/or certification of accounts.

681. In paragraph 3 you imply that there should be some satisfactory proof of ability or training of persons admitted to the Register ?—Yes ; again the fact that they have been practising in a professional capacity is surely proof that they have ability and training.

682. You would only require them to show that they had been practising ?—In accordance with precedent I think it would be necessary, but if after registration had been brought about they were found to be inefficient and there were complaints, that would be a matter for the Disciplinary Board in precisely the same way as in the medical Profession.

683. With regard to Income Tax . . . ?—That is a case which does not call for quite the same training as audit and accountancy work in its most confined sphere.

684. Is it not the side of the work in which the public have to be protected more than in any other ?—It is an important side of the work.

685. Are there not more people who tout for income tax work than for most other work ?—I think that probably is so, but there are great difficulties.

686. You think the difficulties are such that it would not be possible to protect people against them ? —Yes. Solicitors, bankers, estate agents, and others deal with income tax matters for their clients. Any admission of persons of that description to the Register would render useless the whole idea of registration. If an estate agent is to be admitted to the Register as a Registered Accountant because he had in the past been doing income tax work, obviously the value of registration would be very little.

687. You take the view that no special standard should be demanded ?—Quite, for income tax work.

688. (*Mr. Branson*) : Can you give me any idea how you arrive at your estimate that you have 1,500 what I may call potential candidates for your Alliance ?—Yes, there are one or two firms or companies, one in particular in London, that go in for very intensive analysed circularising, and they have extracted from directories of various sorts the names of accountants who appear in those directories as accountants in practice, but who are not, according to the same directories, members of any professional organisation.

689. Then presumably they are all in practice and not employees ?—That is so.

690. It includes all the people who are really debt collectors and that sort of thing ?—Possibly it includes some of them.

691. Do I understand you to suggest that they are *ipso facto* to come on to any Register ?—No, Sir, not by any means. Even if under our present lines of procedure as far as our Alliance is concerned we have inadvertently admitted them, I do not suggest they should be admitted to the Register.

692. You agree with me it would be rather a calamity if they should be recognised as certified accountants in any form ?—Absolutely.

693. With regard to your Alliance, have you any means of excluding men who have been thrown out by one or another of any of the older Societies ?—We have no actual means.

694. So it is conceivable that there may be among your Members individuals who by reason of their failing educationally or even morally have been excluded from one of the other Societies ?—It is possible.

695. I understood you to say just now that it is not intended to suggest by your Memorandum that everybody who has done audit work or taxation work should automatically be qualified for a Register ?—I do not think that was my statement.

696. May I put it to you in the form of a question : Do you suggest that anyone who is now doing audit work or taxation work should automatically be allowed to continue to do that class of work ?—In our Memorandum we have distinguished very carefully between audit work and taxation work.

697. Let me take them separately. Do you suggest that anyone who is now doing audit work should automatically be entitled to come on a Register and be permitted to continue doing audit work ?—Yes.

698. With regard to taxation, do you say the same ? —Yes, except that under our suggestion they would not be on the Register.

699. You are not going to make membership of the Register an essential to the conduct of taxation work ? —No.

700. You would make it an essential to doing audit work ?—Undoubtedly. I think paragraph 7 deals with our ideas on that subject, when we say that : " The only sphere of professional practice that can be exclusively reserved to the Registered Accountant would therefore appear to be the audit and/or certification of accounts, and the right, together with the Legal Profession, of appearance and hearing at Income Tax appeals in a Professional capacity."

701. I thought from that that you were suggesting that audit and taxation should be made a close province for the Registered Accountant ?—No, Sir, there is quite a big difference between undertaking taxation work and appearing on income tax appeals. At the present moment the Income Tax Acts clearly define those who are entitled to be heard on income tax appeals—solicitors, barristers and accountants. They define accountants as being persons who have been admitted to an incorporated body of accountants. Therefore, although outside firms, (bankers, for instance), could still make formal returns or claims on behalf of their clients, if it came to a matter where law was involved and it became a question of appeal, I am suggesting that could only be undertaken by the registered accountant, together with the legal profession.

702. (*Mr. Walker Clark*) : As I understand you, there are Members of your organisation who are at present practising who have no qualification for it so far as examination is concerned ?—So far as examination is concerned, that is so.

703. And you would not expect that the whole of your Members, because they are Members, should be entered upon the new Register ?—Not by virtue of their membership of this organisation.

704. How would you select from your Members those who are to come on the Register ?—It would depend I think on the methods of entrance to the Register laid down by the Board of Control or by the Bill.

705. You have no method to suggest ?—We do suggest that it would be against precedent to exclude from any business or profession persons who have in the past been earning their living mainly or exclusively by the exercise of that profession.

706. I am dealing with your own organisation ?—Quite. If it is laid down in a Bill, if such a Bill comes to pass, that there shall be admitted to the Register, as a preliminary, persons who were at any given date practising in the capacities indicated, it would be a simple matter to exclude persons who did not fall within the scope of the Bill. I am sorry if that sounds rather involved.

707. It is very involved, I do not see it at all. I suppose that in your organisation you have four or five different classes of members ?—Only two, Fellows and Associates.

708. I am referring, not to that classification, but to the actual classification. You have some men who are doing audit work, some doing taxation work, some doing general accountancy ?—Yes.

709. And some men who are confining themselves to special work in connection with a railway company or a corporation, or something of that kind ?—Yes.

710. Which of those four classes, or any other class you have, would you admit ; how would you select your other classes ?—If registration was effected on the lines we have suggested, that is confining the sphere of professional practice to the Registered Accountants who would do the audit and/or certification of accounts, there would only be admitted men who had been practising in that capacity.

711. What does " audit " mean ; can you have an accountant who does not audit ?—It is possible ; strictly speaking there is a line of demarcation between accountants and auditors.

712. What is the line of demarcation ?—Accountants would normally prepare the accounts (this is a very broad line), and the auditors would audit and/or certify the correctness of those accounts which had been prepared.

713. (*Mr. Kenneth Lee*) : In the second paragraph you say : " There seems no reason to emphasise this proviso, as Registration Bills of other professions, and Accountancy Registration Bills in other countries invariably, to the best of our knowledge, incorporate transition stipulations " ?—Yes.

714. In what countries ?—May I refer to the " Accountant " where they give a very exhaustive account of the profession in other countries in detail. I think the article is headed " Professional Accounting in Continental Europe." or something like that, and they give details of various Bills. In Czechoslovakia, for instance, they give details of a Bill. These Bills have not necessarily become law ; they are simply attempts that have been made ; they state that those who are exercising the profession at the moment the Bill becomes law may continue to do so. That is in Czechoslovakia, and to the best of our knowledge that precedent has always been laid down. In whatever country it has come in, there are transition stipulations that ensure to persons who have been practising the right to continue to practise.

715. You say you have 91 members in practice, and I take it you would consider all those 91 entitled to be registered ?—It depends on the actual lines on which registration was established. If it is laid down that the practice, or rather may I say the sphere, of accountancy to be restricted to the registered accountant is simply the audit and/or certification of accounts, one could not necessarily say that even those 91 members were entitled to go on the Register. It may be that there are persons practising who call themselves accountants but whose work may not include the audit and/or certification of accounts.

716. I take it you consider that the people who are now practising should be protected ?—Yes.

717. I take it you would consider that those 91 members ought to be registered in the event of any Registration Bill ?—No, I say that we would not necessarily consider that those 91 Members should be admitted to the Register, any more than the very large majority of those 1,500 persons who are still unattached accountants. We are not claiming any special privilege for our members simply by virtue of their membership.

718. What do you mean by safeguarding the interests of accountants now in practice ?—By giving them the right to earn their living in the profession they have already adopted and have exercised.

719. Then you do not contemplate that the Register should put a restriction on the practice of accountancy?—We do; I think paragraphs 7 and 8 actually deal with this point. We have tried to define in this Memorandum what the practice of accountancy really means; it is not clear at the moment.

720. You say first of all that those in practice should have their future safeguarded?—Quite.

721. By being put on the Register, if there was a Register formed, which restricted the profession?—Yes, provided they were practising in the capacity indicated.

722. Would the 91 who are Members of your Alliance in practice be entitled to registration, in your view?—Yes, subject to the same proviso, but not more so than accountants who are not members of any organisation.

723. Then you would put everybody on the Register who was in practice?—Who was in practice in the capacity indicated in the Registration Bill.

724. (*Mr. Scott*): The Alliance was incorporated in 1927, I believe?—Yes.

725. What was the special reason for bringing another society into existence? There was quite a large number then?—The present Council have nothing to do with the promoters, so if I give you any reason why it was brought into existence it must be taken as my own view. I believe that the promoters brought it into existence for the particular reason that the Income Tax Acts defined an accountant, for the purpose of appearing at income tax appeals, as being "a person who has been admitted a member of an incorporated body of accountants." There are distinct limitations of that kind to the practice of an accountant if he is not a member of an incorporated body. Although in practice the Commissioners rarely refuse to hear an accountant, strictly speaking they have the right to refuse to hear him if he has not been admitted a member of an incorporated body of accountants. There are obvious difficulties in obtaining admission to a number of those senior associations. A man in practice has very little time to devote to the study of subjects which may or may not be helpful to him in his practice. Consequently by the formation of this body—it may have been loose phrasing on the part of the Income Tax Acts, but that does not affect us at the moment—those who join this body have the right to appear at appeals either to General or Special Commissioners in support of their clients' cases. I think that was one of the main objects in forming the Alliance.

726. I gather from what has been said already that even now you have no educational standard laid down for membership?—That is so.

727. Is it in the interests of the public that a society should be legally recognised by registration which does not now have for its present members, apart from future, an educational standard?—If these men are already practising, if they are actually practising in that capacity, I cannot see that it is against the interest of the public for them to have the right to continue to serve the members of the public whose confidence they have earned by their ability and experience.

728. What guarantee have you that they are doing it efficiently so far as the public are concerned?—We have no actual bye-laws on the subject, but it can be taken for granted that the Executive Council of the Alliance do exercise discretion; it is not a case of admitting anybody who comes along.

729. How do you test the qualifications. Supposing I came along and asked to be admitted, and that I had not studied any of the subjects which are usually found in the syllabus of the accountancy societies, but I said I had been practising as an accountant, what questions would you ask me in order to test whether I had been practising as an accountant?—We ask for professional references; we must have two references one or other of which testifies to the training and experience and ability of the applicant.

730. Do you mean from people in the accountancy profession?—Either that or their own clients; we must have some evidence before admission that they are practising in a decent manner. We do refuse applications. We get applications from people who have very little right to call themselves accountants in any shape or form. On the other hand, here is an application from a man who actually I think would deserve to be admitted to any society, and probably would have been if they had not closed their doors. He is a man of 59 and an accountant and auditor. He has acted as an accountant and auditor in public practice continuously since 1895. He was admitted to membership of another body of accountants in 1897 but he let his membership lapse voluntarily because he did not think they were looking after his interests sufficiently. From 1895 to this year he has been an accountant in public practice. That is some evidence that he is conducting a proper business. He gives as his references two gentlemen, one a Chartered Accountant and one a Fellow of the Incorporated Society and a Fellow of the Chartered Institute, to whom we applied for references. Without reading the references I may say that references came from these gentlemen in which they speak very highly of the qualifications of this particular applicant. It cannot be said that we are not justified in admitting such a gentleman. He is a man whose qualifications were spoken of most highly. One of the letters says: "With reference to your letter of the 3rd" (this is from a Fellow of the Incorporated Society and a Fellow of the Chartered Institute): "I consider the applicant to be a fit person to be admitted to membership of your Society, and to be an expert Accountant and possessed of a very wide knowledge of the various branches of the profession. I have the fullest confidence in his integrity." That is a typical reference that we get from Chartered Accountants about certain of our Members. We are not always able to get quite such glowing references about them; they may not have come into touch with Chartered Accountants during their work, and in such cases we have to fall back on people who can testify to the applicant's ability.

731. I rather gather that you would limit registration to certification and audit of accounts?—Subject to appearance at income tax appeals.

732. There are a multitude of other things which are being done by even ordinary accountants who are not necessarily Chartered Accountants?—That is so.

733. Amongst your membership you must have many whose qualifications are not anything like up to the standard of those which you have just mentioned?—We have.

734. Are you going to propose that if registration is decided upon all your Members will, without any further test, be admitted to the Register?—No Sir, I have not suggested that.

735. Are you going to discriminate amongst your Members?—Certainly.

736. Are you quite content so long as the registration test is limited to the qualification for certification and audit of accounts; are you willing to have your members discriminated against in that way?—We have to be. If registration is to be effected, as we state in a clause of our printed evidence, if it is to be of any value to the profession or the public it must be within limited lines, and it is no part of our object to get on to the Register those who are not qualified for that work.

737. Do you suggest to the Committee that most of your members could undertake the certification and audit accounts of a large industrial company?—Most of them?

738. Yes.—Yes, I think so. The only limitation at all would not be their ability. Whether a man takes on the audit of a large industrial company would probably depend on the size of his practice and the size of his staff. Some of our Members have big staffs and big practices; others may simply have one or two clerks and it would be impossible for them to undertake the complete audit of a large industrial company, simply owing to the inadequacy of their internal equipment, and not to any question of their ability.

739. Do you think your membership is equal to the task now?—I consider that the large majority of our Members are qualified by their practical and technical skill, training, and general experience to undertake any work which normally comes within the scope of professional work.

740. Would you, for instance, expect your members to undertake Trusteeships in Bankruptcy?—Certainly; they do.

741. What knowledge of law have they?—I cannot speak for every individual member of our organisation, but I can speak for the majority. The people we are trying to admit and the people we are trying to get within our organisation are such that their knowledge of law, their training, their technical experience, and their studies have been in every way as exhaustive as those required by the examinations of the Senior Institutes.

742. Do you really suggest that?—I really suggest that the majority of our members are equally capable by their technical experience.

743. Would you be willing to allow registration to be limited to those who had passed whatever test is to be prescribed by the National Board, even supposing it was a great deal more exacting than the one you have said, that is to say, the limitation about certification and audit of accounts?—I am sorry, but I do not quite follow the question. Do you mean if you instituted a test by way of examination?

744. Both by examination and as to practical efficiency, because the one is perhaps more essential than the other?—Speaking for the Alliance I would not agree that men who had been in practice, even if you take the applicant whom I mentioned to you, should be called upon to undergo an examination before they are considered entitled to continue in practice.

745. Assume that anyone who likes can continue in practice but will not be entitled to be registered as a public accountant unless he passes a certain elaborate test; would you agree with that?—If I am to infer that you would restrict his right to the audit and/or certification of accounts, I would not agree.

746. You recognise that if you give the label of "Registered Public Accountant" to men who fall very much below the standard set by the Senior Society, then you are going to convey a false impression to the public?—That may quite easily be.

747. (*Mr. Wills*): In paragraph 7 of your Memorandum you suggest a rather limited form of registration. Do you think registration limited in that way would really serve any useful purpose?—I do, because I think those are the most important functions to the public.

748. From the point of view of protecting the public you think it would be useful to have such a limited form of registration?—Yes.

749. The effect would be that the auditors of a company, for instance, would be selected from the Register?—Quite.

750. Do you think there is any danger to the public that incompetent accountants might in fact be appointed as auditors by the shareholders. Have any instances come to your notice?—I have known of cases.

751. Private companies?—Private companies.

752. You have not known of cases of public companies, have you?—No, Sir.

753. One would rather assume that in most cases the large majority of companies automatically appoint highly qualified persons as their auditors, and that therefore to restrict their right to appoint persons on the Register would be of little value unless you can point to instances where shareholders have suffered as the result of appointing incompetent people themselves?—Quite.

754. It is rather their own fault, is it not?—That applies in any case now. If a member of the public is content to go to a man who calls himself an accountant, without any knowledge of his ability or any recommendation, or alternatively with the knowledge that he has not been admitted to one of the Senior Associations, it is his own fault, but he does go to him.

755. Do you think such cases happen frequently?—Yes.

756. I mean cases where the shareholders may have suffered?—Not necessarily frequently, but it has happened.

757. At any rate you have heard of some?—Absolutely, within my own personal knowledge.

758. Private companies?—Yes.

(*The Witnesses withdrew.*)

MR. G. H. CLAMP, F.C.W.A. (*Chairman of Council*), MR. DONALD L. MORAN, F.C.W.A. (*Member of Council and Chairman of Board of Examiners*), and MR. S. J. D. BERGER (*Secretary*), representing the Institute of Cost and Works Accountants (Limited by Guarantee), called.

THE COMMITTEE HAD BEFORE THEM THE FOLLOWING MEMORANDUM BY THE INSTITUTE OF COST AND WORKS ACCOUNTANTS, LIMITED:—

MEMORANDUM No. 11.

Objects and functions of the Institute.

1. This Institute was incorporated in March, 1919, and the objects for which it was established are indicated in the Memorandum and Articles of Association which form Annex I.* Briefly, these objects are:—

To promote the use of scientific methods in Cost and Works Accountancy;

To improve the professional status of Cost and Works Accountants;

To exercise professional supervision over its Members;

To secure better facilities for training (both theoretical and practical) for those desiring to enter the profession;

To provide tests of efficiency by means of examinations and to issue certificates of competency in approved cases.

Function of the Cost and Works Accountant.

2. The primary function of the Cost and Works Accountant is to compile or to certify the measure of

* Not reproduced.

the expense of the production of a commodity or of the provision of a service. The efficient performance of this function requires specialised technique comprising, *inter alia* :—

First-hand knowledge and experience of the general principles of accountancy and the arrangement and control of accounts;

Familiarity with the technical features and manufacturing requirements of the products;

Knowledge of factory and labour conditions and systems of remuneration;

A thorough understanding of the conditions governing the markets in which the products are to be sold.

Cost a modern science.

3. Although the practice of Cost Accountancy did not become known to the general public until some twelve or fifteen years ago, it has been employed in various important industries for many years, and some members of the Institute have been engaged in such work for well over a quarter of a century.

Lack of facilities.

4. The development of scientific methods, however, made but slow progress before the late war owing to the lack of facilities for interchange of ideas on matters of common interest. This was largely due to the fact that Cost and Works Accountants were mostly attached to particular undertakings as permanent officials engaged on confidential work which did not readily lend itself to discussion with other persons not engaged in the same Works.

Modern requirements.

5. The need for such discussion has greatly increased in recent years owing to a number of far-reaching developments. During the last twenty years the steady increase of labour-saving machinery and the application of mass production methods in many industries have entirely changed the ratios previously existing between the costs of materials, labour and overhead expenses, and have necessitated radical changes in the methods employed in the allocation and recovery of such expenditure.

Elimination of waste.

6. The valuable services which can be rendered by scientific costing in reducing costs by the elimination of all forms of waste called attention to the importance of Cost Accountancy as an aid to management in industry and commerce. This led to a number of informal discussions which proved inconclusive owing to the absence of a co-ordinating organisation.

Formation of Institute.

7. The recognition of these facts led to the founding of this Institute. The facilities so provided have proved to be of the utmost value to the members of the profession and through them to the whole business community. Discussion of common problems has been encouraged by National Costing Conferences, by Chamber Meetings, and by the Institute Journal. Progress in the development of scientific methods in costing has been greatly accelerated thereby.

Costing Terminology.

8. One of the main difficulties encountered in this work is the lack of uniformity in terminology. This disparity in the use of terms is very pronounced as between different industrial areas, and gives rise to considerable obscurity in the treatment of Costing in its more technical aspects. Attempts by individuals to lay down definitions and to assign designations have proved inadequate owing to the restricted outlook of their authors. The Council of the Institute have made considerable progress with the task of providing an official Glossary of Costing Terms and Definitions.

Standard Costing.

9. It has not, however, been regarded by the Council as their function to establish specific principles but rather to encourage the members of the profession to evolve these in the light of experience. In this manner, the practice of Standard Costing has been evolved to meet the difficulties arising from trade depression, from variable loads and from unstable working conditions.

Budgetary Control.

10. In certain industries where stable working conditions are generally attainable, this practice of standard costing has been followed to its logical conclusion by the establishment of Budgetary Control. By such means, every unit of actual cost is made to conform as closely as possible to the aggregate budget by constant reference to its corresponding unit of standard cost. Wherever working conditions have made Budgetary Control possible, the elimination of waste and of excess cost has enabled selling prices to be reduced to the minimum.

Machine Hour Rates.

11. The revolution in the methods employed for distributing overheads due to the increasing use of labour-saving plant, already referred to, has led to the more general use of differential Machine Hour Rates.

Uniform Costing.

12. There is also a clearly marked tendency in industrial circles towards the establishment of Uniform Systems of costing for particular industries. This tendency is undoubtedly due to the growing practice among manufacturers to discuss production costs with their trade competitors, and to the consequent need for a Uniform System to provide an intelligible basis for such discussion.

Rationalisation.

13. Progress in the rationalisation of industry is dependent on the availability of cost statistics to enable inefficiency to be located, involving the design and installation of uniform systems of costing.

Cost Audit.

14. A well prepared system of uniform costing established by an industry and administered by a statistical officer provides a very valuable basis for certain types of investigation which may arise in connection with trade disputes. Such a basis would also facilitate the proper conduct of any cost audit which might be undertaken at the instance of a Government Department of the cost accounts of any individual plant or of the industry as a whole.

Industrial Disputes.

15. In general, extensive industrial disputes, (*e.g.*, that in the Coal Trade in 1926), are connected with questions of economic costs; and the lack of an efficient costing organisation commanding the confidence of both employer and employee is a menace to industrial peace. The Cost Accountant is specially qualified to carry through an audit involving investigations into factory and workshop production, and to prepare or to certify a forecast—such as is usual in prospectuses—of the outcome of a manufacturing venture.

Valuation of Stocks.

16. Much more attention is to-day being given to the valuation of stock and to the ascertainment of the value of work in progress. In some industries stock may largely consist of raw materials worked up into components by the particular firm concerned. The cost of the labour and the price (subject to market fluctuations) of the raw materials are the more readily and accurately known where statistics are provided by an efficient cost system, under the control of a qualified Cost Accountant familiar with manufacturing processes.

Membership.

17. On the formation of the Institute, and following the precedent set by other professional bodies, practising Cost Accountants who were applicants for Membership were certified by business men in responsible positions, who from personal knowledge were able to verify the applicant's claims to experience and qualifications. In every case where there was any doubt, the applicant was required by the Council to undergo an Examination.

Designation of Members.

18. The membership is divided into two grades, namely, Fellows and Associates. There are 290 Fellows and 506 Associates. Some of these are in practice as Cost Consultants, and others are whole-time officials of particular undertakings.

Branches.

19. Branches of the Institute have been established at London, Birmingham, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Middlesbrough, Newcastle, Sheffield and Sunderland. At these Branches a programme of Meetings is arranged during the winter months for the reading and discussion of papers relating to Cost and Works Accounting.

Examinations.

20. A comprehensive scheme of Examinations has been in operation since 1920, and this, together with a recent revision operating from December, 1930, is set out in the Examination Syllabus and Addendum in Annex II.*

Registered Students.

21. In the case of those desiring to enter the profession, the Institute does not insist upon the serving of articles under a Member of the Institute, although in many cases such individuals are under the supervision of a Cost and Works Accountant who is, himself, a Member. Articleship is permitted under the Bye-Laws, but the alternative, by which those training for the examinations are admitted as Registered Students, is in more general use. These Registered Students (at present numbering 748), are *not* Members of the Institute and have no Membership status, but enjoy certain privileges such as the use of the Library, and the right to join the local Students' Society now attached to most of the Branches.

Institute Journal.

22. The official Journal of the Institute, under the title of "The Cost Accountant," has been published monthly since 1921.

Council's Views on Registration.

23. The Council have noted the wide terms of reference requiring you (1) "To consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law, and if so," (2) "To report on the method by which such register should be established and controlled." Careful consideration has been given to this matter and the Council are of the opinion that such a Register would provide valuable safeguards for all sections of the business community, including duly qualified members of the profession of accountancy, and are prepared to give any such proposal their cordial support in order to secure its adoption.

24. As will be evident from the facts presented herein, the Members of this Institute practise Accountancy. The Council therefore submit that in the event of a Register being established by law, all Fellows and Associates of this Institute shall be deemed to be qualified for registration and that their names shall therefore be inscribed on the Register in all cases where application is made.

25. The Council have refrained, however, from expressing an opinion as to the method by which a Register once set up shall be controlled, as they feel that this matter should be considered in the light of the decision reached under the first section of the terms of reference.

17th March, 1930.

* Appendix K.

MR. G. H. CLAMP and MR. DONALD L. MORAN examined.

759. (*Chairman*): I do not know whether before we ask you questions you would like to add anything to your Memorandum of Evidence?—(*Mr. Clamp*): I think I have nothing to add at this stage.

760. In paragraph 4 it is said that the Cost and Works Accountants were mostly attached to particular undertakings as permanent officials, and I notice that the present membership is 796?—That is approximately so.

761. A number of these are in practice on their own account as consultants, are they not?—Yes.

762. Can you tell us the number roughly?—(*Mr. Moran*): 55 are in practice on their own account or in partnership with other Members; that is 7 per cent. of the total.

763. Turning to paragraph 17 I notice that on the formation of the Institute you accepted men of whom you could have some testimony of their technical experience?—(*Mr. Clamp*): That is so.

764. You mean they would be employed by reputable firms or people who gave some testimony as to the work they did?—Yes.

765. And that was accepted at that time?—Yes.

766. In lieu of examination? Since 1920 no Members have been admitted without examination?—No, that is not so.

767. Paragraph 20 says: "A comprehensive scheme of examinations has been in operation since 1920"?—Yes. The scheme was started in 1920, but we did not at that stage close the door to entry without examination; that door is not yet absolutely closed.

768. You mean the door mentioned in paragraph 17?—Yes. A man who has established the fact that he is a qualified Cost Accountant is still admitted to the Institute without examination.

769. Provided you get satisfactory references?—Provided there is sufficient evidence to dispense with examination. If we have any doubt about it then we require him to sit for the examination.

770. Those who submit themselves to examination are those who have not had the necessary experience; is that so?—I do not think I can go quite that far with you. There are many who consider that they have that experience who apply for membership; they do not necessarily ask for exemption from examination; there are some who would prefer to sit for the examination and prefer to become Members in that way in spite of the fact that they might be admitted without examination.

771. Is there any difference in the membership between those who come in under either heading?—None whatever, once they are admitted.

772. I cannot quite understand a man preferring to submit himself for examination when he can get in without it?—There are certain men who feel if they come in without examination that they come in by the back door. (*Mr. Moran*): May I add something to what Mr. Clamp has just said? There are a

number who belong to the Institute of Chartered Accountants, the Society of Incorporated Accountants and Auditors or the London Association of Accountants, and we generally accept that as sufficient from the accountancy point of view only. They may also have had experience on costing lines, but unless they give us evidence of that from people who employ them or other responsible sources they have to sit for our examinations, and they then have seven costing papers to deal with.

773. Are these men who have taken up the wider profession of accountancy in the first place and then decided afterwards to go into your special branch ?—Yes. Very often young men who have passed their examinations in accountancy and acquired the status of membership of the Institute of Chartered Accountants apply to us for membership. We accept their qualifications as far as accountancy goes and then tell them that we shall be glad to consider their application if they will take certain papers in our examinations; and they are usually confined to costing papers and papers on mechanical knowledge and things of that sort—workshop knowledge.

774. A man of that description for the first part of his career perhaps does accountancy, then if he wants to take up your special branch what does he do; take the case of a man who belongs to the Institute of Chartered Accountants ?—(*Mr. Clamp*): There are a number of firms of Chartered Accountants who wish to embrace a certain amount of cost consultant work and they consider that it is best for a member of the firm to qualify as a Cost Accountant. The qualification of Chartered Accountant is not generally recognised as a sufficient qualification for a Cost Accountant even amongst Chartered Accountants. (*Mr. Moran*): About 100 of our Members are Chartered Accountants or Members of the Incorporated Society.

775. In paragraph 21 you say: "the Institute does not insist upon the serving of articles under a Member of the Institute, although in many such cases individuals are under the supervision of a Cost and Works Accountant who is himself a Member. Articleship is permitted under the Bye-laws, but the alternative, by which those training for the examinations are admitted as Registered Students, is in more general use." Then it is possible for a candidate to be a Member of the Institute by passing the Examination without having had previous experience ?—(*Mr. Clamp*): No, definitely no. A Registered Student can pass the Preliminary Examination, or get exemption from it, and the Intermediate and Final, but unless he has had three years' experience as a Cost Accountant he would not be admitted. (*Mr. Moran*): And then he would only be an Associate. He would require to have experience, and we should require evidence with regard to his personal character.

776. In paragraph 23 you say that "the Council are of opinion that such a Register would provide valuable safeguards for all sections of the business community, including duly qualified members of the profession of accountancy." In expressing that opinion with regard to registration what do you understand by registration ?—(*Mr. Clamp*): We understand registration in its broadest sense, the registration of accountants. We are naturally looking at it from our own point of view as Cost Accountants, and we think that ultimately, not necessarily immediately, registration will be a guarantee of qualification—ultimately. I say that advisedly, having regard to what has happened in the past in regard to the registration of other professions.

777. Do you think registration is necessary both to protect the accountant and the public ?—I think it will have that effect. I think it is necessary to protect the public, and I think it will ultimately have the effect of protecting the qualified accountant.

778. Are you considering it as restrictive, that is to say, only registered accountants would be able to pursue the profession ?—Yes, that is the basis I am going on.

779. In your special branch do you suffer at all from unqualified competitors or competitors with very little experience. Do you think that in your special branch the public need protection ?—Undoubtedly, more so than in the case of the Financial Accountant or Auditor.

780. Why ?—Because ordinary financial accountancy has got to a fairly standardised stage; cost accountancy has not advanced to that stage. An unqualified Cost Accountant could do far more harm than an unqualified Financial Accountant.

781. Are there many who are offering themselves ?—That is extremely difficult for me to answer, because as is stated in an earlier paragraph the bulk of our Members are officials of undertakings; they are not offering themselves for hire in the same way as the practising accountant does. (*Mr. Moran*): Might I amplify that by saying that in our experience we have about 500 people approach us each year on an average for membership. They do not all become definite applications but they approach us with the idea of becoming Members. Out of that a great number are told that they cannot hope to become Members without passing our Examinations and qualifying in certain other ways, such as by experience and actual practice, and it becomes obvious to them that they can never satisfy us and we hear nothing more of them. But out of that 500 about 100, that is about 20 per cent., ultimately become Members. I mention that in answer to the question you put just now because it shows that about four-fifths of the people who come to us with the idea of becoming Members are not able and are not qualified to become Members, and we suggest they are not qualified to carry on the practice of, or act as, Cost Accountants. Mr. Clamp said just now that if it is necessary to have a registration of financial accountants it is even more necessary we consider to have registration of cost accountants. Financial accountancy is very highly organised and it is possible to learn a good deal about financial accountancy through lectures and text books, but it is not possible to become an efficient cost accountant by such means. Those means are necessary, but it is also indispensable, we consider, for people to have training and practical experience of the difficulties so that they can obtain the knowledge which is required.

782. That was rather the point of my question to Mr. Clamp. Perhaps I did not make it quite clear. What I meant to say was that your class of accountancy is technical, is it not ?—It is technical and applied.

783. It is technical and applied, and you have competition from those who have no special knowledge of it. In the broader kind of accountancy you have people who have very little knowledge, advertising that they are accountants. Could you have people advertising as Cost Accountants, or would they be found out at once ?—I think a good many apply for positions which involve the work of cost accounting and I think a good many get those positions, because I think very often the employers do not understand the importance of having people who are skilled in scientific methods of accountancy. The danger is a danger to the public.

784. You think that the public need protection ?—Yes, and in the matter of cost accounting especially so.

785. Have you in mind instances where the public have suffered from a want of registration ?—I can hardly quote specific instances, but one sees it not only from one's personal experience but also from the fact that 80 per cent. of the people who come to us prove to be unqualified.

786. Who come to you for what ?—They come to the Institute, they more or less apply for membership; they approach us. One may assume that those people are prepared to practise as Cost Accountants if they get the opportunity, and many of them are practising.

787. (*Mr. Branson*): Am I right in saying that cost accounting is really a profession of its own and that it is as distinct from financial accounting as soldiering is from sailoring ?—(*Mr. Clamp*): That is a clearly correct expression in our view, but I would like to emphasise the fact that it is cost accounting. If you are contemplating registering the profession of accountancy we claim that we have a perfect right to the use of the term "accountant."

788. I personally agree with you altogether. What I want to get at is this; the Members of your body have not the least ambition to prepare income tax accounts or do audits or anything of that kind ?—No, not the slightest wish whatever. (*Mr. Moran*): With one reservation. You use the word "audit". We would like to make a reservation in the direction of cost auditing. It is our view that no one can conduct a cost audit unless he is an efficient Cost Accountant. In the examination of accounts in connection with Government contracts, or on occasions when various manufacturing concerns submit their cost accounts to audit in connection with anti-profiteering investigations, it is very easy to give correct figures in the wrong way so that no one who is not an expert could determine which is the right way of blending the figures to produce the right result or be able to tell that the figures were really suitable for the purpose for which they are submitted. Therefore we would like to emphasise the point that if the word "audit" is going to be defined it should be defined in such a way with cognisance of the fact that at certain times a cost audit may have very great value, and that the Cost Accountant should not be excluded from the exercise of his functions in connection with cost audits.

789. Do you agree that if there is a register of accountants it will be essential to have a section reserved for Cost Accountants ?—(*Mr. Clamp*): I think so.

790. Do you agree with that?—That is my opinion. I do not see how you can proceed with the registration of accountants in the widest sense of the term, however desirable it may be in the abstract. Therefore if you are going forward with a limited registration I should agree entirely, but the Cost Accountants should be included there as a class.

791. Do you agree that it will not do to leave the public at the risk of picking a Cost Accountant to prepare their income tax statements and a Financial Accountant to prepare their cost account statements ?—Yes.

792. (*Mr. Scott*): I take it, Mr. Clamp, that the Members of your Institute are engaged in a very highly specialised form of accountancy ?—Yes.

793. And that the Members of your society who are most efficient are those who not only have the ordinary accountancy qualifications but have these very special qualifications which you have for your particular society ?—Yes.

794. On the question of registration there are of course two opposing views; those in favour of it and those who are against it. If there is registration is there not a possibility that your Members might have people who are unqualified competing with them; in other words that a part of the prestige which attaches to your Institute at the present time might be transferred to every person who becomes a registered accountant ?—Unless there is this classification. I should agree with you entirely unless there is this classification.

795. You stipulate for a special section, as it were ?—(*Mr. Moran*): If the object is to protect the public it would be the most effective way of doing it, to have a special section for Cost Accountants.

796. Yes, but it would perhaps make the Bill more intricate. My point is that in having registration is there any particular danger that you might give some status to people who are not properly qualified ?—If you have a registration which does not properly delimit the profession which it is intended to register.

797. If you have a Bill which entitles all people who have certain qualifications to be registered as public accountants, that may give a certain status to people who are trying to do their work at present and doing it inefficiently, who might act as Cost Accountants though they were not qualified ?—(*Mr. Clamp*): Yes, I agree. If you were to say that you contemplated a Register of auditors of statutory accounts of companies under the Companies Act I should have no qualms, but if you wanted to describe it as a Register of Accountants I should have the gravest misgivings. I do not suggest that would be a sufficient legal phraseology because there would still be municipal undertakings and corporations which have to be covered.

798. Am I right in thinking that no man can do the work of a Cost and Works Accountant unless he is an accountant in the ordinary sense ?—Yes, that must be the basis on which he builds; he must start with that.

799. Can you say if this special work of yours has been considered in connection with any of the rationalisation schemes in the last year or two ?—I do not think I can answer that fully from the point of view of the Institute. If you gave me time to refer to our individual Members I could perhaps tell you. I am thinking more particularly of the electrical industry. I think in the case of the electrical industry there has been a certain amount of rationalisation in which at least two of our Members have taken a very prominent part; and there may be other industries, I think there are. But speaking solely from the Institute's point of view I cannot give you the information.

800. It strikes me that your work is so highly specialised that there may be a possibility of danger in registration unless you are specially protected ?—Yes.

801. (*Mr. Wills*): Do you consider that "accountancy" is really the proper term to apply to the specialised class of work which is done by Members of your Institute rather than such a word as "statistics", for instance ?—We have given a good deal of thought to that, and I cannot think of a term which better fits it. I cannot agree to release my hold on that term, if I may put it that way; I cannot see any other word which describes it so well.

802. I notice you yourselves use the word "statistician".—Yes; one can get statistical accounts and financial accounts, but they are still accounts. (*Mr. Moran*): It is rather difficult to define the words "accountant" and "accountancy" here. The figures for the cost account are just the same as for the financial account. The Cost Accountant is responsible for saying what part of all the expenditure goes in material, wages and so on. It is all accounting. The only way in which that can be done satisfactorily is to continue the accounts through into the various services and departments of the concern, and by building up the same figures into departmental accounts to get that burden over on to the products and so bring the figures back against the ultimate products in order to see what the profit or loss has been. You could hardly call that statistical. (*Mr. Clamp*): I should like to express that in another way. There was a view held some years ago that the cost accounts approximated to the financial accounts and we talked about reconciliations. To-day we do not reconcile; the cost accounts form an integral part of the accounts, and there is no question of reconciliation; they are built into the accounts of the company.

803. (*Chairman*): Do a great number of the men who come to you start as members of one of the larger societies ?—I do not know the proportion of

applications, but something like 12 per cent. of our present membership is composed of men who are members of one of the three big bodies of financial accountants. We do not admit them on that qualification alone. I could quote to you evidence from prominent Chartered Accountants who recommend the members of the Chartered Societies to obtain our qualification if they hope to get positions as Cost Accountants in firms, or if they hope to get a position as a financial Director who understands Cost Accountants' work. I am bearing in mind at the present moment Professor Annan of Edinburgh University.

804. (*Mr. Scott*): I see you have a branch in Glasgow?—Yes.

805. Can you indicate at all to what extent your Society operates through its Members in Glasgow. I can recognise the largeness of the sphere?—We have 48 Members in Glasgow, that is Members apart from Students.

806. Those are men who are perhaps partners of accountancy firms, or who may be practising separately as Cost Consultants?—Yes, it would include both, and it would include whole-time officials in works and factories. (*Mr. Moran*): We have ten such branches. Are you interested in that; Glasgow is only one.

807. (*Chairman*): You mean in this country?—Yes. They are Birmingham, Leeds, Liverpool, London, Manchester, Middlesbrough, the North East Coast, Scotland, Sheffield, and South Wales and the West of England. Those are our ten branches.

(*The witnesses withdrew and the Committee adjourned.*)

APPENDIX K.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS.

(*Limited by Guarantee.*)

Extracts from Syllabus.

Board of Examiners:

Chairman—Donald L. Moran, F.C.W.A.
C. W. Charlesworth, F.C.W.A., F.S.S., F.I.S.A.
H. G. Jenkins, F.C.W.A., A.M.I.E.E.
J. A. Lacey, F.C.W.A.
G. Russell, F.C.W.A., F.L.A.A.
W. C. Stansfield, F.C.W.A.
Andrew Stewart, F.C.W.A., C.A., A.S.A.A.
J. C. Todman, F.C.W.A., A.M.I.Mech.E., A.M.I.E.E.
A. Williamson, F.C.W.A.

Fees and Annual Subscriptions.

	Entrance Fees.			*Annual Subscriptions.*			*Transfer Fee. Student to Associate.*			*Transfer Fee. Associate to Fellow.*		
	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
Fellows ...	7	7	0	3	3	0	–	–	–	2	2	0
Associates...	5	5	0	2	2	0	1	11	6	–	–	–

Examination Fees.

	£	*s.*	*d.*
Preliminary	1	1	0
Intermediate	1	11	6
Final	2	2	0

Fellows are entitled to use the qualifying letters F.C.W.A.
Associates are entitled to use the qualifying letters A.C.W.A.

Regulations as to Admission of Candidates to Examinations.

The Institute holds the following examinations during the first week in June and December in each year:—

(*a*) Preliminary Examination (General Educational Subjects only).
(*b*) Intermediate Examination (in Professional Subjects).
(*c*) Final Examination (in Professional Subjects).

The examinations are held in all the following towns, or some of them as the Council may decide:—London, Belfast, Birmingham, Bristol, Cardiff, Dublin, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle-on-Tyne, Nottingham, Sheffield.

Preliminary Examination.—Exemption from the Preliminary Examination may be granted by the Council where the candidate produces evidence that he has passed one of certain specified examinations.

Candidates passing the Preliminary Examination, or having obtained exemption therefrom, are eligible for Registration in the Students' Section of the Institute.

Intermediate Examination.—No candidate can be permitted to sit for the Intermediate Examination unless he is a Registered Student of the Institute and has passed the Preliminary Examination of the Institute, or has been exempted therefrom in accordance with Bye-law No. 67, or in the case of an Articled Clerk until after the expiration of one half of the term of service prescribed. Exemption from the Intermediate Examination may be granted by the Council where the candidate produces evidence that he is over 25 years of age and shows to the satisfaction of the Council that his professional experience is such as would warrant the granting of such exemption.

Final Examination.—No person is eligible to sit for the Final Examination unless he is a Member or a Registered Student of the Institute and has passed the Intermediate Examination or been exempted therefrom, and in the case of:—

(*a*) An Articled Clerk, until two years have expired since passing the Intermediate Examination, or
(*b*) A Graduate of a University articled for three years only, as provided by Bye-law No. 47, until eighteen months after passing the Intermediate Examination.

Articled Clerks.

The regulations which govern persons taking up articles under a member of the Institute include the following:—

Persons wishing to enter the profession of Cost and Works Accountancy may serve under articles with a member of the Institute in accordance with the conditions as laid down in the following bye-laws:—

Bye-law 45.—Before a member of the Institute receives a person to serve with him under articles, he shall require the production of a Certificate of the Institute to the effect that the person about to be articled has passed the Preliminary Examination of the Institute or has been exempted therefrom, as provided by Bye-law 67.

Bye-law 46.—All contracts for service by an Articled Clerk shall be in writing, and no Articled Clerk shall serve for less than four years except as hereinafter mentioned.

Bye-law 47.—Any person who shall have graduated at any of the Universities in the United Kingdom may serve as an Articled Clerk for not less than three years.

Bye-law 49.—Every Articled Clerk shall, at the expiration of his articles and before he is admitted for Final Examination, produce to the Council to be registered a certificate from his employer, to the effect that he has duly served his term, and is a fit and proper person to be admitted a Member of the Institute.

Bye-law 55.—No person who is under sixteen years of age shall be taken by any member of the Institute as an Articled Clerk.

Bye-law 57.—No Articled Clerk shall, during his term of service, except by permission of the Council, engage in any other business or occupation.

Bye-law 58.—If the Council, at a meeting specially convened with notice of this object, pass a resolution that any complaint of misconduct made against any Articled Clerk has been proved, and is of such a nature as to make that person unfit to become a Member, the articles under which that person has been serving shall for the purposes of these Bye-laws be deemed to be at an end, and the registration of the articles shall be cancelled, and no member shall, except by the permission of the Council, retain or take that person as an Articled Clerk.

Registered Students.

Those who desire to qualify for membership of the Institute may enrol as "Registered Students" during such time as they are studying for the examinations.

Student registration does not carry membership rights, and any person elected as such will not be entitled to have notice of, or to vote at, any meeting of the members of the Institute, or to designate himself a member of the Institute.

Bye-law 13.—The Council may elect as a Registered Student any candidate for admission whose chief occupation is at the date of his application in the factory, works or offices of a manufacturing concern.

Bye-law 15.—Any person elected as a Registered Student, unless he has previously passed the Preliminary Examination under these Bye-laws, or an examination which the Council may consider equivalent thereto, shall, within twelve months of his admission or within such extended time as the Council may permit, pass the Preliminary Examination under these Bye-laws, as a condition of his continuing a Registered Student.

Bye-law 16.—Any Registered Student having passed the Preliminary Examination under these Bye-laws shall, within two years of his admission or within such extended time as the Council may permit, pass the Intermediate Examination under these Bye-laws as a condition of his continuing as a Registered Student.

Bye-law 17.—Upon any Registered Student passing the Intermediate Examination the Council may, if satisfied that he is by his occupation and experience and other credentials a fit and proper person to be elected as an Associate, elect such person as an Associate.

(*N.B. This Bye-law is only operative in the case of students registered before 31st December*, 1927.)

Fee and Annual Subscription for Registered Student:—

Entrance Fee £1 1 0
Annual Subscription ... 10 6

Subjects of Examination.

(*To come into force as from and including the December*, 1930, *Examinations.*)

Preliminary.

Compulsory Subjects:—
Mathematics.
A Modern European Language.
English, comprising:—
(*a*) An Essay.
(*b*) Questions testing knowledge and command of English.

Optional Subjects—TWO of the following subjects to be selected by the candidate—
(*a*) Geography.
(*b*) English History.
(*c*) English Literature.
(*d*) Elementary Mechanics.
(*e*) Elementary Physics.
(*f*) Elementary Inorganic Chemistry.
(*g*) Elementary Magnetism and Electricity.
(*h*) Elementary Latin.

N.B.—General Papers will be set in respect of (*a*) (*b*) and (*c*) without limitation as to period, etc.

Intermediate.

Mathematics:—(*a*) Algebra.
(*b*) Trigonometry.
(*c*) Elements of Mensuration.
Economics.
Book-keeping and Accounts.
General Commercial Knowledge and Office Organisation.
Factory Organisation, Equipment and Production Methods.
Costing (4 Papers)—(I) Labour; (II) Materials; (III) General Expenses; (IV) Methods of Costing.

Final.

Factory Organisation, Equipment and Production Methods: including Site for Factory—Types of Buildings—Organisation of Staff—Duties of Managers, Foremen, etc.—Welfare and Industrial Psychology—Production Control—Handling of Material.
Advanced Accounting.
The Law of Master and Servant.
Costing (3 Papers):—
(I) General arrangement, assembly and completion of a form of costs.
(II) Overhead Expenses (how ascertained, collected and recovered):—
(*a*) Works.
(*b*) Administration, Selling and Distribution.
(III) (*a*) Methods and principles of cost accounts in their application to various trades and industries.
(*b*) Reconciliation of cost accounts with the general financial records—Treatment of capital expenditure—Influence of efficient costing on the general policy of a business—Arrangements required for supplying the management with the information necessary for guiding policy.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

FOURTH DAY.

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERICK EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE,
7th February, 1930.

FOURTH DAY.

Friday, 11th April, 1930.

PRESENT :

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E.,
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

MR. JOHN M. BIGGAR and MR. J. C. LATHAM (*Secretary*), representing the London Association of Accountants, Limited, called.

The Committee had before them the following Memoranda by the London Association of Accountants, Limited :—

MEMORANDUM No. 12.

1. The London Association of Accountants is pleased to take the opportunity which the Committee has afforded it to set forth its views on the matters referred to the Committee for consideration and report and it submits this Memorandum in the hope that it will assist the Committee in its deliberations and in the formulation of proposals for the registration of accountants.

2. The terms of reference propound two main questions, viz. :—

(*a*) Whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law ; and, if so

(*b*) What should be the method by which such register should be established and controlled.

3. This Memorandum is divided into three parts. Part I contains the observations of the London Association on the desirability of registration ; Part II contains its proposals regarding the establishment and control of a Register ; whilst Part III gives particulars relative to the Association's objects, regulations, status, membership, etc. For the sake of brevity the London Association of Accountants is hereinafter called the London Association.

PART I.

DESIRABILITY OF REGISTRATION.

Registration of the Accountancy Profession Desirable.

4. The London Association is of opinion that in the public interest it is desirable to establish an equitable system of registration whereby the practice of accountancy shall be restricted to those properly qualified, described and disciplined. It holds the view that in a profession such as accountancy, where capacity and character are such important factors in safeguarding the interests of the general public, the present position has many unsatisfactory features which a system of registration would remove.

5. Whilst it is true that a large majority of accountancy practitioners are members of organisations requiring a high standard of qualification and conduct, there is nevertheless a very considerable number of persons practising as accountants who are unqualified and subject to no control whatsoever. Many of this latter class attract clients from amongst small traders and business men by irregular methods, e.g., advertising, the issue of touting circulars, and personal solicitation. There can be little doubt that these persons take advantage of the inexperience and ignorance of small traders and other persons, and it is against this class of practitioners that this section of the public needs protection. The London Association submits that registration would provide a safeguard against such inefficient and untrustworthy service.

6. It further believes that a well ordered and controlled profession is necessary in the public interest, and that a system of registration would bring about a cessation of those sectional rivalries and bids for recognition that have unfortunately characterised the profession ; in consequence more attention would be concentrated on co-operative effort in the development of professional education and research. Furthermore, the establishment of, and insistence upon, a uniformly high standard of professional probity and excellence of work would, on the one hand, conduce to a better appreciation by accountants of their obligations to the public, resulting in a better service ; and, on the other hand, inspire an increased public confidence in the reliability of accountants.

7. The London Association is unable to agree with those who regard registration as undesirable on the ground that it would reduce the value and standing of certain designations, and that those possessing such designations would pay "too high a price" for (what they allege to be) the doubtful advantages of registration. Designations, in the London Association's view, however highly regarded, do not necessarily confer ability and integrity. The public requires not designations but competent and reliable accountancy service in financial and commercial operations, and registration would, it is believed, provide a more acceptable guarantee of such service than is provided by the mere possession of a designation.

Purposes Registration Would Serve.

8. The London Association is in favour of registration because it believes it would serve to :—

(*a*) Inaugurate the organisation and control of the profession on an authoritative basis.

(*b*) Establish suitable standards of qualifications ; a code of ethics involving the observance of proper rules of conduct ; and a proper tribunal for determining questions affecting the present position and future development of the practice of accountancy.

(*c*) Remove existing arbitrary barriers and prohibitions and eradicate those features of preference and privilege which led the Local Legislation Committee to make its declaration in April last.

(*d*) Preclude the formation of unnecessary bodies of accountants, which, granting admission

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solely on payment of a fee, add to the number of designatory letters and initials to the confusion of the general public in search of accurate and reliable accounting service.

(*e*) Prevent the constant large and uncontrolled influx into the profession of irresponsible persons of doubtful ability, experience, and integrity and avoid the resultant dangers of inefficient or dishonest service.

Safeguards to be Provided.

9. But while the London Association regards the establishment of registration as most important and desirable, it holds that its importance and desirability must not be allowed to obscure the danger of its being made an instrument for establishing a monopoly for a section of the community by the erection of barriers unrelated to the question of capacity and character. The London Association, therefore, submits that any system of registration should provide adequate safeguards to ensure :—

(*a*) That entry to the Register shall be on qualifications determined by satisfying suitable and approved standards of test in theory and practice.

(*b*) That the avenue to entry shall not be obstructed by artificial or arbitrary regulations involving the payment of a cash premium and/or a long period of service under articles at a low salary.

(*c*) That the recruitment of the profession shall be through any organisation of accountants whose rules and regulations as to examinations, training and experience, ensure the requisite standard of qualification.

(*d*) That the right of appeal from the decisions of the registering body on all matters relative to the recognition of bodies and individuals should be given to all interested parties.

Definition of Practice of Accountancy.

10. The terms of reference seem to imply a need to define what is meant by " the practice of the profession of accountancy", a task which presents some difficulty.

The following definition is submitted as an attempt to indicate the view of the London Association :—

" A person is engaged in the public practice of accountancy within the meaning and intent of this definition who, holding himself or herself out to the public as a qualified practitioner of accountancy, offers for fee or reward to perform, or who does perform, on behalf of clients, a service that requires the audit or verification of financial transactions and accounting records ; the preparation, verification and certification of financial, accounting and related statements for publication or credit purposes ; or who in general and as an incident to such work renders professional assistance in any or all matters of principle and detail relating to accounting procedure and the recording, presenting and certification of financial facts."

11. It is intended that this or any other definition should embrace or cover the work appertaining to Trustees in Bankruptcy ; Liquidators ; Trustees under Deeds of Arrangements ; Receivers : and such like appointments ; and that the work attached to these appointments, which at present is usually carried out by practising accountants, should come within the scope of the duties which must be performed by registered accountants.

Definition of Public Accountant.

12. The term " Public Accountant " might be shortly defined as meaning any person who holds himself out to the public as ready to undertake for pay the performance of functions and duties appertaining to the public practice of the profession of accountancy.

PART II.

ESTABLISHMENT AND CONTROL OF REGISTER.

Introductory.

13. In dealing with the question of the establishment and control of the Register the London Association has limited itself to setting out some of the main principles which it considers should be essential features of any legislation establishing a Statutory Register of Accountants. It is thought that the Committee would not desire this Memorandum to deal with matters of more or less administrative detail, but should this assumption be wrong the London Association will be pleased to submit a supplemental memorandum dealing therewith.

14. For instance, if it is decided to embrace England and Wales, Scotland and Northern Ireland in a scheme of registration, it may be that local circumstances and administrative needs would require separate Boards or Sub-Boards of Control for England and Wales, Scotland, and Northern Ireland respectively. As this is considered by the London Association to be a matter of administration rather than of principle no opinion is expressed thereon.

Past Proposals Regarding Registration.

15. In the past, the London Association has, by reason of the restrictive nature of the proposals they contained, been forced to oppose Accountant Registration Bills promoted in this country, 1911 ; South Africa, 1924 ; and Ireland, 1927. All of these Bills sought to confer privilege and preference on a section of the profession regardless of the claims of others. Had these proposals received legislative sanction all but the favoured section would have, for all time, been prohibited from entry to the profession of accountancy. It may be true that the ideas which then prevailed, and which were responsible for the restrictive provisions of those Bills have, in the presence of new circumstances and new challenges, lost some of their force and are now recognised as being such as would not command the support of current public opinion. Be this as it may, there can be little doubt that the proposals for registration submitted to the Committee will show a wide diversity of opinion. This Memorandum attempts, therefore, to assemble the main points of principles which the London Association submits should be observed in any legislative proposals to effect registration of the accountancy profession.

Existing Bodies of Accountants.

16. A Table setting out the names of the existing bodies of accountants in England, Wales and Scotland; and showing the dates of their formation and approximate membership is attached hereto.*

Initial Difficulties of Variety of Qualification and Interests.

17. One of the main difficulties in formulating proposals for the registration of accountants arises from the fact that there are so many bodies of accountants claiming to be part of the profession ; bodies with such differing characteristics and interests and in such varying stages of evolution that, as a whole, they defy a common classification. In addition, there is a considerable body of persons carrying out accountancy work who are not attached to any organisation ; some of whom are of doubtful ability and character, but all of whom must be considered in the inauguration of any scheme involving the restriction of the practice of accountancy. Consequently, it is easy for those making proposals to

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founder either on the Scylla of a too limited recognition or in the Charybdis of a recognition too wide.

18. It is generally admitted that there are many accountants in public practice who, notwithstanding that they are not members of any one of the existing bodies of accountants, are, by virtue of their knowledge and experience, entitled to be registered. On the other hand it is also generally recognised that, in establishing registration of the accountancy profession or any other profession, it may be that in the initial stages some may have to be registered whose capacity and character do not satisfy the high standard which would be required to secure registration after the initial Register has been compiled.

19. There is also a goodly number of persons who engage in certain aspects of accountancy work in addition to some other profession or occupation such as Solicitors, Estate Agents, Secretaries, etc.

Who Shall be Registered in the First Instance ?

20. The London Association has, therefore, taken these facts into consideration and submits :—

(*a*) That eligibility for inclusion in the first Register should be on the broadest possible basis consistent with the public interest.

(*b*) That all accountants who have, for a certain specified period, been engaged in public practice as a principal means of livelihood should be registered in the first place, but that future admission to the Register should only be granted to those who have qualified by examination, experience and character and thereby gained admission into one or other of the recognised accountancy bodies.

(*c*) That to ensure justice and equity as between the different classes of claimants, the body charged with the preparation of the first Register should be constituted on the widest and most comprehensive basis so as to give every interested section a fair representation thereon.

Only Practising Accountants to be Registered.

21. The London Association is of opinion that the Register should include only the names of those accountants who are in public practice. It is submitted that to include, or retain, therein the names of accountants engaged exclusively in employed positions would be to overload the Register with no compensating advantages. Provision should be made, however, to enable those so employed, but otherwise eligible for registration, to be registered as and when they leave their employed positions and become engaged in full-time public practice.

Provisional Board of Accountancy.

22. Following the suggestion contained in paragraph **20** (c) above, it is submitted that a Provisional Board of Accountancy should be established for the purpose of compiling the first Register of Accountants and for the performance of such other duties in relation thereto as are necessary.

Constitution of Provisional Board.

23. This Provisional Board, as has been already stated, should be fully representative ; and, further, the Chairman should be an independent person not connected with any interested body of accountants. It is suggested that the Board should consist of twelve members, at least two of whom shall not be accountants but representative of public interests, the remaining members being members of the profession nominated by the interested bodies or classes of accountants.

A suggested constitution is :—

Nominated by	*Members.*
Treasury	1
Board of Trade	1
Chartered bodies	2
Incorporated Society	2
London Association	2
Central Association	1
Corporation of Accountants	1
Other bodies and unattached accountants	2
	12

24. It is submitted that such a Board would be representative of the main interests involved and could claim that representative character essential to the fair and equitable discharge of its onerous duties.

25. It is believed that no previous Registration Bill in this country has contained this proposal as to a Provisional Board. This, or a similar, course was, however, adopted in establishing registration in New Zealand in 1908 ; and was proposed in the South African Bill of 1924. But, although the proposal may lack precedent in this country, it is thought that the body responsible for the preparation of the first Register requires a wider representative character than that necessary in the case of the Permanent Board of Accountancy to be established subsequently to maintain and continue the Register. It is obviously a matter of greater difficulty and complexity to determine eligibility for the first Register than to continue it in accordance with rules and regulations which clearly define the qualifications entitling a person to be registered. It may be, perhaps, that the appointment of persons other than practising accountants to this or any other Board of Control falls short of the ideal that the profession should organise and govern itself ; but it is submitted that in regard to registration the primary considerations concern the public as well as the profession and that the public interest is likely to be better served if representatives of the public are placed on these Boards. It will be borne in mind that the Provisional Board is to perform duties which will affect the present and future livelihood of a large number of persons and, consequently, it is considered as essential that its constitution should be such as to ensure a fair and impartial adjudication upon the question of their entry on the Register.

26. It is also important to remember that it is proposed that the Provisional Board should only exist for the period necessary to prepare the first Register and that thereafter the qualifications entitling a person to registration would be clearly laid down.

Eligibility to be Placed on First Register.

27. The London Association holds the view that every person resident in the area who satisfies the Provisional Board that he has been *bona fide* practising as a public accountant for a specified period should be entitled to be placed on the first Register irrespective of whether he belongs to an organised body of accountants or not. Further, in order to avoid hardship, the Provisional Board should be given discretionary power, in exceptional cases, to admit to the first Register any resident in the area who, though otherwise ineligible, in the opinion of a requisite majority of the Board, merits admission thereto by virtue of his knowledge and experience. This discretionary power would, it is considered, reduce to a minimum the possibility of anomalies being created or unwarranted hardships being inflicted on any applicant for registration.

Permanent Accountancy Board.

28. So soon as the Provisional Board has compiled the first Register—for which purpose an adequate

period should be allowed—it is proposed to dissolve that body and appoint a Permanent Accountancy Board (hereinafter called the Board) which would be charged with the duty of maintaining and continuing the Register and performing such other duties as may, by By-laws or otherwise, be prescribed.

Constitution of Permanent Accountancy Board.

29. It is suggested that the Board should consist of twelve members to be nominated or elected on the following basis, viz. :—

	Members.
Government Departments ...	2
Chartered Institutes	3
Incorporated Society	3
London Association	2
Others	2
	12

Recognition of Existing Bodies of Accountants.

30. At this point an important question interposes itself, namely, the question of which of the existing bodies of accountants should be recognised in a corporate capacity in the constitution of the Board and in the provisions regarding eligibility for registration subsequent to the completion of the first Register. In considering this question it will be agreed that a proper standard of qualification is an indispensable element in any system of registration, and that the granting of recognition to any body must depend on whether its rules and regulations regarding admission to membership are such as to ensure the requisite standard of competency. It so happens, however, that the respective positions and the relative standards of test pre-requisite to admission of some of the bodies can be more or less clearly defined as a result of proceedings which have taken place before Parliamentary Committees during 1928 and 1929 in connection with the Auditors' Clause of certain Municipal Corporation Bills.

31. The Committee will, no doubt, be aware that the Chartered Institute and the Incorporated Society are recognised in the Auditors' Clauses referred to in the foregoing paragraph, and that these two bodies have always resisted the attempts of others to secure similar recognition. In 1928 three bodies, the London Association, the Central Association and the Corporation of Accountants severally sought to secure recognition. There was no joint action or co-operation between these three bodies and each prosecuted its claim by separate Petitions. In 1929, in view of the decision of the Committee in the previous year, the London Association repeated its efforts and lodged another Petition. Neither of the other two bodies mentioned pursued their claim of the previous year. A brief note of the results of these petitions is given in the three following paragraphs.

The London Association of Accountants.

32. The London Association submits that by its Petitions in connection with the Stoke-on-Trent Corporation Bill, 1928, and the Chester Corporation Bill, 1929, it established three things. Firstly, as the result of a close and searching cross-examination by Counsel for the Chartered Institute and the Incorporated Society, it established the fact that its standards of examinations, experience and discipline are no less exacting than those of the chartered and incorporated bodies. Secondly, it proved that for a much longer period than any other body (other than the Institute and Society) the passing of these tests of examination, training and experience has been a compulsory pre-requiste to membership. And, thirdly, by its evidence, it satisfied the Local Legislation Committee that a form of Auditors' Clause which excludes its members from acting as auditor of the accounts of municipal corporations is, in its own words, "too circumscribed". Moreover, by the force of its claim in the Chester Bill proceedings it moved the Local Legislation Committee to declare that registration of accountants was desirable in the public interest and in order to remove unwarranted disabilities imposed by existing conditions.

The Central Association of Accountants.

33. In 1928 the Central Association of Accountants lodged a Petition against the Auditors' Clause of the Gloucester Corporation Bill and submitted evidence in support thereof. The result was that it failed to support the terms of its Petition, and the Select Committee unanimously decided that the Promoters of the Bill had been vexatiously subjected to expense by the opposition of the Central Association and awarded costs against it.

The Corporation of Accountants.

34. In 1928 the Corporation of Accountants lodged a Petition in connection with the Stoke-on-Trent Corporation Bill. When the time came for it to submit supporting evidence, however, its Counsel stated that after very careful consideration of the position his clients had arrived at the conclusion that they were not in a position to submit evidence to support their Petition; that the Corporation of Accountants had not reached the same status as the London Association; and that consequently he was not going to trouble the Committee by calling witnesses.

Suggested Recognition of Certain Existing Bodies.

35. The effect of the proceedings referred to in paragraphs **32–34** above has been to clarify the position with regard to the question of which bodies have adopted an adequate standard of qualification and the results, it is submitted, show that the standards of the London Association are comparable with those of the Chartered Institute and Incorporated Society and clearly distinguishable in all essentials from those of any of the other bodies of accountants in this country. Consequently, the London Association in its submissions has taken the view that those bodies whose standards of qualifications have been substantiated before a Parliamentary Committee should be entitled to be recognised and that in conformity with the results referred to above the Chartered Bodies, the Incorporated Society and the London Association should be accepted as entitled to recognition. But at the same time it holds very strongly that provision should be made for the future recognition of any other body of accountants which brings its qualifications up to the approved standard, and, moreover, that provision should also be made whereby any body of accountants that feels aggrieved by reason of its non-recognition should have the right of appeal to an impartial and judiciary tribunal. In the South African Bill, 1924, Section 36, s.s. (3), provision was made for such appeals to be heard by the Governor-General or a person deputed by him in that behalf. The Privy Council or the High Court, it is submitted, would be appropriate tribunals in this country.

Election of Elective Members of Board.

36. It is submitted that the accountant members of the Board should be elected by the votes of those whose names appear on the Register and not appointed on the nomination of the Councils of the named bodies of accountants. In a Bill promoted in the Irish Free State in 1927 it was provided that the representatives on the Board were to be nominated by the Councils of specified bodies of accountants and declared to be elected. In such a case the control of the Register would not be vested in persons responsible to and elected by the general members of the profession, but by persons nominated by and removable at the whim of their respective Councils. For instance, a member with a sincere and earnest wish to be fair and just in carrying out his duties as a member of the Board might incur the displeasure of the Council of his society and no matter how capable and desirable a member of the Board he might be he could be removed by a stroke of the pen at the end of his term of office. The Association submits that the members of the Board should be answerable to the Annual General Meeting and be elected to the office by the vote of those accountants on the Register belonging to the same body of accountants as themselves. Under the New Zealand Society of Accountants Act, 1908 (Section 14, s.s. (4) (5) and (6)), members of the Council are elected by the votes of those on the Register, the votes having to be attested by a J.P., etc. Election by the general members was also proposed in a Bill promoted in South Africa in 1924, Section 36, s.s. (1) (e).

Retirement of Members of the Board.

37. It is suggested that one-third of the members of the Board should retire each year and the vacancies filled by re-election or election of members at Annual General Meetings.

Duties of Board of Accountancy.

38. The duties of the Board should be :

(*a*) To maintain a Register of Public Accountants in accordance with provisions laid down.

(*b*) To determine any question arising as to admission to or exclusion from the Register.

(*c*) To collect the fees payable.

(*d*) To convene the annual meetings of registered accountants.

(*e*) To prevent persons not on the Register from holding themselves out as Public Accountants.

(*f*) To appoint and remunerate a Registrar and such officers, clerks, and servants as may from time to time be requisite.

(*g*) To do such acts and things as may be necessary for the proper carrying out of any powers or duties conferred or imposed upon them.

Subsequent Qualification to be placed on Register.

39. One of the most important proposals and one on which conflicting opinions will be most evident is that relating to the conditions as to entry subsequent to the first Register. The London Association submits that the conditions set out in the following paragraph would ensure a requisite standard of test and at the same time exclude none but the incompetent and inexperienced.

40. After the completion of the first Register by the Provisional Board, no person should be entitled to be entered in the Register unless he satisfies *all* the following conditions :—

(*a*) Is resident in the area (covered by the Act); and

(*b*) Has paid the prescribed registration fee; and

(*c*) Has produced a certificate that he is a member of one of the Chartered Institutes, or of the Incorporated Society or of the London Association, or of some other body, membership of which has been declared by By-law to be sufficient qualification; and

(*d*) Has had a comprehensive experience of not less than five years in the office of a practising accountant or ten years in responsible employment on audit and accountancy work in

(1) A Government Department; or

(2) The accountants department of a municipal or local authority or a corporation, company, institution or mercantile business of a standing approved by the Board; and

(*e*) Has notified the Board of his intention to practise as a Public Accountant.

41. The certificate required under paragraph **40** (*c*) above, if dated subsequently to the coming into force of registration, should be supplemented by a certificate from the Council of the body concerned certifying that the applicant has passed the examinations from time to time prescribed for admission to membership of such body.

42. It will be seen that after the completion of the first Register admission to the Register cannot be obtained unless an applicant has passed the examination tests and has had a long practical experience in accountancy. It will also be observed that no conditions are imposed which involve the question of the applicant's economic circumstances.

Examinations and Examinations Board.

43. It is submitted that a requisite standard of examination test is represented by the existing examinations of the bodies mentioned in paragraph **40** (*c*) above. In order to maintain and, as circumstances warrant, to improve the standard of examination test and also in order to ensure, as far as possible, a uniform standard of test, it is suggested that an Examinations Board be constituted whose duty it should be periodically to call for and consider the examination papers, etc., of all the bodies recognised in paragraph **40** (*c*) above, and to report whether in their opinion the examination papers, etc., so considered by them prescribe a standard of proficiency sufficient to guarantee the possession by the examinee of the knowledge and skill requisite for the efficient practice by him of the business of a public accountant.

44. It should be observed that the Professional Accountants Bill, 1911 (Section 12 (1) and (2)), which was promoted by the Chartered and Incorporated Bodies, made a similar proposal to the above except that the Privy Council and not a Board of Examiners were proposed as the body to adjudicate.

Constitution of Examinations Board.

45. It is suggested that the Examinations Board should consist of four members to be nominated as follows :—

One (who shall be Chairman) by the Lord Chancellor.

One by the Minister of Education.

Two by the Board.

Questions of Experience.

46. The question of the nature and length of experience requisite to entitle a person to be registered is perhaps a thorny subject. Involved in this are three main questions, viz. :—(1) Whether articles shall be an essential condition; (2) what kind of experience is to be required; and (3) what is to be the position of the present and future members of the bodies mentioned holding important appointments as accountants in municipal or commercial spheres who may at some time or other desire to commence in public practice.

Service Under Articles.

47. On the question of service under articles the London Association is strongly opposed to such service being made an essential condition of entry to the Register. It submits that such a condition would create an artificial barrier that is neither just nor reasonable. It is not just, because it would prevent a large number of ambitious and capable young men and women from gaining professional status simply because their parents were not possessed of the monetary resources to pay a high premium or permit them to serve a long period of articled clerkship on a low salary. And it is not reasonable, because there is nothing in articled service which is likely to render it more valuable than service without articles. In most cases articled clerks work side by side with unarticled clerks on precisely similar duties, and in many

instances they are under the instructions and the tuition of their unarticled colleagues. The fact that some of the most prominent and capable accountants at present in practice did not serve articles is sufficient proof that such service is not indispensable in order to become talented, experienced and successful accountants. The London Association submits that any system of registration must ensure that all who possess the necessary mental and moral equipment should be permitted and encouraged to utilise to the fullest degree their natural gifts for the benefit not only of themselves, but of the community to which they belong.

Kind of Experience.

48. On the question of the kind of experience to be required the London Association holds the view that there is nothing to justify the contention that the qualities required of an accountant can only be acquired in a practising accountant's office. It is true that this idea is, not unnaturally, popular amongst those who have gained their experience in this way, but it derives no support from the teachings of actual experience in the accountancy and other professions. On the contrary there are many instances of capable men trained in commercial, governmental and municipal accountancy departments, who, stepping straight into principalship, have proved capable public accountants, commanding the confidence of their clients and holding prominent positions in the profession. It also takes the view that it is unreasonable to contend that a man with unquestionable experience in a responsible position as an accountant to a large municipality or commercial business is less valuable or less qualified to practice as an accountant than a youth of 21 who has served five years in a practising accountant's office, devoted probably to checking the elementary aspects of bookkeeping and to the verification of postings, etc.

49. Nor, as has been stated, does the contention derive support from the experience of other professions. For instance, a solicitor can be trained in a non-practising solicitor's office such as that of a Town Clerk, and the experience gained in that office is deemed by the Law Society as being sufficient to entitle him to practise on his own account whenever he desires. There are many prominent solicitors, engineers, and accountants at present in public practice who gained their earlier experience in non-practising offices and it is suggested that the present and future generations should not be prohibited from following their example.

By-laws.

50. It is submitted that the Board should be required to make By-laws for maintaining and continuing the Register; for determining questions relating to the qualification of persons to be entered on the Register; for regulating the mode of nomination and election of the members of the Board, the summoning of meetings; and for such other purposes as may from time to time be deemed requisite or expedient for the carrying out of the objects and purposes of the system of registration established. It is further suggested that penalties should be annexed to any breach by any person of any such By-laws.

Allowance of By-laws.

51. In order to ensure due publicity and to give an opportunity for reasonable and proper objection, provision should be made for notice of all By-laws made by the Board and duly approved by a General Meeting; to be published *in extenso* in the *London Gazette*, and after a specified period such By-laws should be submitted to the Board of Trade for approval. Any body of accountants which feels itself aggrieved by reason of any By-law made should be entitled to be heard by its appointed representative before a Board of Trade Inquiry against the By-law and to adduce evidence in support of its objection. There are several precedents for safeguarding provisions of this kind, among which the following may be quoted:—

(*a*) Dentists Act, 1921. By-laws must be approved by Privy Council and presented to Parliament (Section 7 (2)).

(*b*) New Zealand Accountants Act, 1908. By-laws must be approved by Governor-General (Section 20 (2)).

(*c*) South African Bill, 1924. By-laws to be approved by Minister of Interior and Governor-General (Section 36 (2) and (3)).

(*d*) Architects Bill, 1929. By-laws to be approved by Privy Council (Section 15 (2)).

Power to Refuse Registration.

52. The Board should be empowered to refuse to register:—

(*a*) Any person who has been excluded from the membership of the Institute, Society, London Association or any recognised body of accountants or who has been suspended from membership, while such suspension lasts,

(*b*) Any person who has been convicted of any felony or misdemeanour;

(*c*) Any person who has been adjudged a bankrupt or has made a composition with his creditors, or any arrangement for the payment of a composition to his creditors or any assignment of his property for the benefit of his creditors;

(*d*) Any person who is proved to the satisfaction of the Board—

(1) To have been guilty of any act or default or dishonourable practice discreditable to a Public Accountant; or

(2) To be following any business or occupation which is neither the business of a Public Accountant nor a business which, in the opinion of the Board, is incident to or consistent with the business of a Public Accountant.

Power to Remove from Register.

53. The Board should be empowered to remove from the Register the name of any person who is proved to the satisfaction of the Board—

(*a*) To have been erroneously or fraudulently entered in the Register; or

(*b*) To have failed to pay, within six months after a demand has been served upon him by registered post, any fees due from him under the provisions laid down; or

(*c*) To be guilty of wilful continued breaches of the By-laws of the Board; or

(*d*) To have committed any of the acts set out in the foregoing paragraph under the heading "Power to Refuse Registration."

Restoration of Name to Register.

54. It should be provided that where the name of any person is removed by reason of his having ceased to practise, such person should be entitled to have his name restored to the Register on notifying the Board of his intention to re-commence to practise and on paying the prescribed registration fee, unless in the meantime it is proved to the satisfaction of the Board that he has done or suffered, or is doing or suffering, any of the acts or things mentioned in paragraph **52** above.

55. Provision should also be made whereby a person whose name has been removed from the Register by reason of bankruptcy or other act specified in paragraph **52** (*c*) above should be permitted to make application to the Board for the restoration of his name to the Register, and power should be given to the Board to restore the name to the Register if, in the opinion of the Board, the circumstances justify such restoration.

Appeal from Decision of Board on Matters of Registration.

56. Provision should be made whereby any person aggrieved by the refusal of the Board to enter his name in the Register or by the removal of his name from the Register may, within three months from the date on which he receives notice in writing to that effect, appeal against the refusal or the removal, in manner provided by Rules of Court, to the High Court; the order of the High Court to be final and conclusive and not subject to an appeal to any other Court.

Persons not on Register Prohibited from Holding Themselves Out as Public Accountants.

57. It is submitted that subsequent to the expiration of a certain specified period after the coming into force of registration persons not on the Register should be prohibited from using the title of "Public Accountant" or other similar description and from holding themselves out to the public as ready to undertake for fee or reward the business of a public accountant.

Use of Designation "Accountant."

58. It is, however, suggested that a person employed exclusively at a salary on accounts and not carrying on business on his own behalf should be permitted to describe himself as an "Accountant" and use the designation of any Institute, Society, Association or body of accountants of which he is a member in accounts in respect of or in relation to his occupation.

Voluntary Service.

59. It is suggested that provision should be made to the effect that a person being a member of a club, institution or society which is not carried on with a view to profit should not be prohibited from acting in the capacity of auditor of such club, institution or society, if no fee or other consideration is paid to such person for his services. This provision is, of course, intended to apply to small local unregistered clubs, etc., of a charitable or social nature.

Accountants from Outside the Area Covered by Scheme.

60. Provision should, it is submitted, be made so that a Public Accountant whose name is not on the Register should be entitled to exercise his profession within the area covered by any scheme of registration without being registered if he has no permanent office, place of business, or residence within that area.

Existing Statutory Auditors.

61. The London Association submits that provision should be made that wherever it is provided by any Act (whether public or private) or Order having the force of an Act that any duty thereunder shall be performed by an accountant or auditor or by a chartered or incorporated accountant such duty may, after the coming into force of registration, be performed by a registered accountant notwithstanding that he is not a member of either the chartered or the incorporated bodies of accountants.

Registration Fee and Annual Subscription.

62. The Annual Registration Fee and Annual Subscription, it is submitted, should be fixed at figures which, while ensuring adequate funds for the establishment and maintenance of the Register, should not be such as to be prohibitive to the small practitioner or permit of the accumulation of unduly large reserves.

PART III.

PARTICULARS OF THE LONDON ASSOCIATION OF ACCOUNTANTS.

Origin.

63. The London Association of Accountants was incorporated in January, 1905. It was founded by a number of accountants, many of whom were earning their livelihood by the practice of accountancy but who did not belong to either of the two older bodies, viz.: the Chartered Institute and the Incorporated Society. It may also be said that these practising accountants desired to bring themselves within the provisions of Section 13 of the Revenue Act, 1903, which provided that the persons who should have the right of audience before Commissioners of Taxes must be members of "an incorporated body of accountants".

64. The London Association was formed on similar lines to the Institute and Society, that is to say, that in the initial stages it did not make the passing of an examination compulsory in order to obtain membership.

Designation of Members.

65. The designation of members of the London Association is "Certified Accountant".

Membership.

66. In this, its twenty-sixth year, the London Association is the third largest body of professional accountants in the United Kingdom (see Appendix I).* Its membership at the end of December, 1929, was 2,894, consisting of 762 Fellows and 2,132 Associates. 906, or approximately 32 per cent. of its members, are in public practice on their own account or in partnership, in many instances in association with chartered and incorporated accountants. Also many of its members employ chartered or incorporated accountants as clerks in their offices.

67. The growth of the membership of the London Association from year to year is shown by the following table:—

Year.	*Membership.*	*New Members.*	*Resignations, Deaths, etc.*	*Number and year of admission of present membership.*	
1905	312	312	—	64	
1906	651	407	68	85	
1907	612	107	146	29	
1908	720	97	—	33	
1909	880	318	147	110	
1910	1,110	303	73	112	
1911	1,251	260	119	92	
1912	1,419	221	53	87	
1913	1,558	244	105	110	
1914	1,572	167	153	77	
1915	1,586	146	132	84	
1916	1,652	82	16	53	
1917	1,771	129	10	82	
1918	1,960	209	20	144	
1919	2,074	226	112	203	
		3,228	1,154		1,365
1920	2,174	242	142	195	
1921	2,234	110	50	100	
1922	2,421	232	45	214	
1923	2,536	181	66	176	
1924	2,594	159	101	152	
1925	2,673	150	71	146	
1926	2,738	171	106	171	
1927	2,777	149	110	145	
1928	2,831	96	42	95	
1929	2,894	135	72	135	1,529
		4,853	1,959		2,894

* Not reproduced.

Branches.

68. The name of the London Association must not be taken to indicate that its members are limited to the Metropolis. Of its 2,894 members less than 25 per cent. reside or practise in London and its suburbs. The Association has fourteen branches, i.e., 10 in England and Wales, 1 in Scotland, 2 in Ireland, and 1 in South Africa. Its members are to be found in all parts of the world.

Aims and Objects.

69. The primary object of the London Association is to provide an organisation for men and women of education, ability and experience who desire to qualify and secure a professional status, including those who for some cause or other are unable to serve a long period under Articles. Its membership is open to accountants, whether engaged in public practice, in the public service, or in large commercial undertakings, who pass the examinations and satisfy the Council that their experience in accountancy is of a long, comprehensive and responsible nature.

70. The rules and regulations of the London Association are framed to ensure a standard of proficiency as high as that of any other accountancy body in the United Kingdom, but they contain no prohibitive conditions save those imposed by limitations of ability and experience and by lack of character or industry. The aim of these rules and regulations is to foster and encourage ambition; to provide facilities whereby natural capacity and talent, when properly trained and disciplined, can overcome economic handicaps; and to increase knowledge and efficiency in accountancy not only in the realm of public practice but also in governmental, municipal, industrial and commercial spheres. The disciplinary control exercised by the London Association is calculated to maintain a high standard of professional probity and excellence of work and the observance of strict rules of conduct and individual rectitude.

Conditions of Entry.

71. Under its Articles of Association, admission to membership of the London Association can only be obtained by the applicant satisfying *both* of the following conditions :—

(*a*) Passing the examinations of the Association, *and*

(*b*) Proving that he has had at least five years' practical accountancy experience of a comprehensive and responsible character.

72. A brief history of the conditions appertaining to membership should perhaps be given. As has been already stated, the London Association started on precisely the same lines as the Chartered Institute and the Incorporated Society, i.e., by admitting to membership persons who had practical experience in accountancy work but who had not passed any examinations. It is obvious that, unless such a policy is adopted by a new association, it would never have any members, as no one would be willing to sit for the examinations of an association which had not already got members.

73. In 1910, when the membership had reached 880, it was decided that in the future membership could only be obtained (except where experience was of long duration and of a responsible nature) by passing the London Association's Intermediate Examination in the case of Associates and the Final Examination in the case of Fellows.

74. This remained the rule until the outbreak of war after which, in common with every other similar body, the London Association suffered from the upheaval and abnormal conditions which prevailed from 1914 to 1918. During the latter period of the war, i.e., January, 1918, this rule was considered insufficient and admission was granted only after the passing of the Final Examination except in those cases where experience was of very long duration and exceptional scope. In 1919 steps were taken to alter the Articles of Association and new Articles were compiled which *inter alia* made the passing of the Final Examination a compulsory pre-requisite to admission. Further, it was provided that before an Associate could become a Fellow, he must serve five years as an Associate member. These Articles were approved and confirmed in 1920 and have been since that date, and are still, in force.

75. It will be observed from the above table that of the present membership only 321 were admitted prior to 1910; 1,365 prior to 1920; and that no less than 1,529 have been admitted under the present articles.

76. Of the present members over 60 per cent. have qualified by examination, a percentage which, it is believed, surpasses that of any other professional body of accountants in this country at a similar stage of its history.

Examinations.

77. The London Association holds three examinations, viz., Preliminary, Intermediate and Final.* The standard of these examinations is similar to that of the examinations of the Chartered Institute and Incorporated Society. The examinations comprise similar subjects; while the period of examination, the standard of marking and the percentage of failures are, approximately, the same. It is claimed that a comparison of the papers set at these examinations will prove that they provide a test as searching and severe as those of the other two bodies. These examinations are held in London and the principal towns in the United Kingdom and Ireland on the first Tuesday, Wednesday and Thursday in June and December of each year.

Candidates for Examination.

78. The following table shows the numbers sitting for the examinations of the Institute, Society, and London Association, respectively, since 1920 :—

Year.	*Institute.*	*Society.*	*London Association.*
1920 ...	1,794	953	1,622
1921 ...	2,126	1,345	2,321
1922 ...	2,271	1,381	2,766
1923 ...	2,463	1,443	2,128
1924 ...	2,680	1,384	2,071
1925 ...	2,883	1,462	1,603
1926 ...	2,809	1,492	1,418
1927 ...	2,915	1,633	1,384
1928 ...	2,823	1,662	1,376
1929 ...	2,905	1,617	1,408

Board of Examiners.

79. The examinations of the London Association are under the supervision and control of a Board of Examiners composed of men of eminence in the accountancy and legal professions. On this Board there are six Chartered Accountants, three Barristers-at-Law, one Solicitor, one Master of Arts, and one Bachelor of Arts.

Hours of Examination.

80. The following table will show the comparative period of the various examinations :—

	Institute. Hours.	*Society. Hours.*	*London Association Hours.*
Preliminary	12½	11	13
Intermediate ...	12	11½	13
Final	19	17½	20

* See Appendix L.

Percentage of Passes.

81. The following comparative figures will serve as an indication of the nature of the examination tests of the three largest bodies :—

Year.	*Institute Percentage of Passes.*	*Society Percentage of Passes.*	*London Association Percentage of Passes.*
1920 ...	63	70	60
1921 ...	62	69	45
1922 ...	60	65	44
1923 ...	57	61	50
1924 ...	51	60	44
1925 ...	54	55	51
1926 ...	58	49	47
1927 ...	59	56	49
1928 ...	57	52	47
1929 ...	55	50	43
Average for the 10 years.			
	58	57	48

Experience.

82. Before admission to membership of the London Association can be obtained every candidate, besides passing the examinations, must have had at least five years' practical accountancy experience in a responsible position. The London Association does not insist that this experience shall be gained by service under Articles. Service under Articles is, however, not prohibited and a number of Certified Accountants have clerks in articled service. The sole object of not insisting upon articled service is, as has been stated elsewhere in this Memorandum, to enable persons of sound education, high abilities and excellent training and experience to become members of the profession, and not precluded therefrom because their economic circumstances prevent their paying a heavy premium and/or serving a long period under Articles at a low salary.

Disciplinary Control of Members.

83. The London Association has a Disciplinary and Investigations Committee which enforces the strictest rules of conduct. Every case of unprofessional, dishonourable or unsatisfactory conduct is investigated and the member, if found guilty, is subjected to disciplinary action in the form of explusion or suspension from membership.

Recognition.

84. The London Association is more widely recognised than any other body of accountants outside the Chartered and Incorporated Bodies; having been specifically recognised by :—

(*a*) *Colonial Governments.*—The following Colonial Governments have recognised the London Association in Ordinances in a similar manner to the Institute and Society :

Kenya Colony ...	in 1923
British Guiana ...	,, 1924
Federated Malay States	,, 1925
Soudan	,, 1925

(*b*) *Municipal Corporations.*—Amongst the Corporations that have recognised membership and/or the examinations of the London Association similarly to those of the Institute and Society in the matter of grants of additional salaries and bonuses are :—Glasgow Corporation, Birmingham Corporation, Leeds Corporation, Bristol Corporation, Newcastle Corporation, Wallsend Corporation.

(*c*) *London County Council.*—Along with chartered and incorporated accountants the London County Council has recognised the members of the London Association in regard to eligibility for appointment as Instructors in advanced accountancy subjects.

(*d*) *Parliamentary.*—In regard to the Finance Act, 1922, when an attempt was made to restrict the persons entitled to give certificates under the First Schedule of that Act, the then Chancellor of the Exchequer (Sir Robert Horne) said :—

"I have considered very carefully whether it would be possible to confine the issue of such certificates to the members of the two great societies to which the Hon. Member has referred, and I have come to the conclusion that it would not be possible. There are such Societies as the London Association of Accountants which would be excluded if only these two were mentioned, and which, as is very well known, is a very important Society, and it would be very unfair to say that such a Society should be entirely excluded from giving certificates under this Clause." (Official Reports, House of Commons, Col. 1557.)

General Recognition.

85. The members of the London Association are recognised similarly to those of other bodies in, among others, the following ways :—

(*a*) As Auditors to Companies incorporated under the Companies Acts.

(*b*) As Liquidators, Receivers, Trustees in Bankruptcy, etc.

(*c*) By the Finance Acts, 1918–1926, in relation to Income Tax Appeals.

(*d*) By the Inland Revenue Authorities.

March 17th, 1930.

MEMORANDUM No. 13.

ADDENDUM to paragraph **32** of Memorandum No. 12 by the London Association of Accountants, Ltd.

1. The London Association of Accountants desires to direct the attention of the Committee to the proceedings on a Petition lodged on its behalf against the provisions of Clause 154 of the Cardiff Corporation Bill.

2. This Clause proposed that the Cardiff Corporation should be permitted to appoint professional auditors in lieu of elective auditors as provided by the Municipal Corporations Acts; and it also proposed to enact that the appointment of such professional auditors should be restricted to chartered or incorporated accountants. The London Association petitioned against the wording of the Clause and sought to have it so amended as to enable its members to act as auditors to the Corporation in the same way as the members of the Chartered Institute and the Incorporated Society. The Institute and Society lodged a joint Petition against alterations to the Clause.

3. The Clause was considered by the Local Legislation Committee of the House of Commons on the 18th and 19th March, 1930, and the London Association appeared by Counsel and witnesses to support the terms of its Petition. After hearing the evidence

the Chairman on the 20th instant, gave the decision of the Committee as follows :—

"The Committee have decided to give Cardiff Clause 154 with the addition of the words 'The London Association of Accountants, Ltd.'" (Notes of Proceedings, page 274.)

4. This decision gives additional and powerful support to the submissions contained in paragraph **35** of the London Association's Memorandum.

5. The subjoined excerpts from the Official Notes of the Proceedings contain the statements made by the Chairman of the Committee relative to the decision of the Committee.

March 19*th*, 1930.

(*a*) "I cannot stop you (Mr. Keen, Counsel for Association) from putting your own case, but may I say this, that Mr. Latham has given a very good account of the working of his Association and its standing, and probably another witness might be sufficent, but of course, I leave it to you." (*Page* 216.)

(*b*) "The Committee has had a consultation since I made my other observations (above) and the Committee is quite satisfied with the contentions of the Association and its standing, so that any evidence you give further would be just sort of endorsing the evidence of Mr. Latham, would it not ?" (*Page* 216.)

(*c*) "The case has been thoroughly stated and I am going to point out this, that both in the opening statement of Counsel for the Petitioners and in the examination of the Witness, reference has been made to the opinions expressed by four very eminent men in this House, namely, Sir Robert Horne, when he was Chancellor of the Exchequer, made a reference to this particular Association by name. Sir William Middlebrook's observations in the House of Commons in 1920 were the observations of a man who had a large experience and a man of extreme capability, so far as municipal legislation is concerned. Then you had the opinion of Sir Walter Raine, who was another gentleman of wide experience in business circles, in regard to accountancy and also wide experience on this Committee. Then last, but by no means least, there is the Chairman of our own Committee, namely, Sir Thomas Robinson, who, at the present time, is away ill. Now all these gentlemen have used expressions that would lead one to think that these people should be included in a Bill. So far as the qualifications of the Association are concerned, it must be gratifying to them to have got the opinion of these four gentlemen ; and it is now left to this Committee to see if we can improve on the decisions or observations made by the gentlemen I have named. I can quite see the seriousness of the case, and it is of importance to the Petitioners. It is not so important to the Promoters because, as Mr. Jeeves has expressed himself, both yesterday and to-day, it is a matter of indifference to them who may be put in the Bill in order to have the right of accountancy. His clients would still have the right of selecting or appointing whom they thought fit to appoint, so that it is of vital importance to the Petitioners themselves. It seems to me that the Petitioners acted on the advice or suggestion made by Sir Thomas Robinson last year, and immediately after he had made those observations they got into touch by letter with the other two organisations, and I regret very much that no more has come out of it than has. The only thing that seems to have emerged from these letters is the setting up of this Departmental Committee, which was referred to yesterday. I have a copy of the names of that Committee from the Board of Trade this morning, so that, taking all the circumstances into consideration, the Committee is reserving its decision until to-morrow morning, and we shall give a decision to-morrow morning at 11 o'clock." (*Pages* 219 *and* 220.)

March 20*th*, 1930.

(*d*) "Mr. Beveridge and Mr. Craig Henderson, we told you yesterday that this morning we would give a decision in regard to Clause 154. I regret to say that we find a tremendous lot of difficulty in this case, and we have decided that that dicision will not be given till after lunch. We will give it immediately on assembling after lunch." (*Page* 251.)

(*e*) "Mr. Beveridge, the Committee have decided to give Cardiff Clause 154 with the addition of the words 'The London Association of Accountants, Ltd.'" (*Page* 274.)

March 21*st*, 1930.

MR. JOHN M. BIGGAR and MR. J. C. LATHAM examined.

808. (*Chairman*) *:* We have received your Memorandum. I do not know whether you would like to add anything to it verbally before we begin to ask you questions ?—(*Mr. Latham*) *:* Not much, except that since we sent in our Memorandum there has been, of course, a declaration made with regard to another association. They want to keep outside of any Register that might be recommended by this Committee or adopted by Parliament. We simply want to say that our Association disagrees with that proposal. Our Association thinks that if legislation is going to be brought in for the profession it should be inclusive ; it should include all sections of the profession. No section of the profession should be above the law, as it were, and have a separate entity outside whatever legislation may evolve from the work of this Committee.

809. You want that point to be considered ?—Yes. I do not think at the moment there is anything else that we need add beyond answering the questions you may put on the Memorandum.

810. In paragraph **5** of your Memorandum you tell us that a considerable number of persons practising as accountants are unqualified and subject to no control whatever, and that there can be little doubt that these persons take advantage of the inexperience and ignorance of small traders and other persons. Have you any examples that you could give us ?—I did not anticipate that question. I could bring you dozens.

811. I am rather asking you generally ?—I could bring dozens of touting circulars of the kind that are sent out to tradesmen and other people in certain districts. I am not asserting that they are all men who are not associated with bodies of accountants, because in some cases they are, of course, associated with bodies of accountants. If we find that kind of thing going on and the delinquent is a member of the Chartered Institute or the Incorporated Society, we sometimes send the matter on to the Institute or the Society, as the case may be. In cases where our own members have transgressed, and the circular is within the range of our own disciplinary rules, we have taken action either by suspension or expulsion.

812. Could you mention examples of this sort of thing in your own body ?—Yes. I am thinking of two which are illustrations in that connection. We had the case of a man who sent out a touting circular, as we call it. We called him before our Disciplinary Committee, and he was expelled. Within a fortnight we found him with the letters F.L.A.A. altered to very similar letters of another body (and he is still a member of that body) practising, and carrying out just the very practices for which we took disciplinary action. So that under the present system of the profession there is really no disciplinary control, because if one society expels a man he goes to another society.

813. He joins another society ?—He joins another society. We had another case of a man who had

not carried out his responsibility in a proper way in connection with a Building Society. He was expelled, and we found him on the Council of one of these new societies that have been formed within the last three or four years. So that, you see, our taking action has really no effect in decreasing the number of those practices in such cases.

814. Supposing you had registration, and, to take the first case, a man was expelled from your Association and set up on his own as a practising accountant : might he not get on to the Register ?—I should say not ; I should say he would be suspended by reason of that. He would be suspended for a period or expelled.

815. Yes ; but I mean supposing he had been expelled from your society, and registration came in some time afterwards ; in other words, he was practising when registration came in ?—(*Mr. Biggar*) : I fancy there would be an annual revision of the men on the public Register of Accountants, and any man who was found to have done something contrary to the customs and ethics of the profession would be expelled by his Association, and then his registration would cease. But under our scheme we are giving a right of appeal even against that decision.

816. I quite understand. What I was considering was the initial stage of registration and the difficulty of preventing people from getting on to the Register who ought not to be there ?—(*Mr. Latham*) : If I may say so, the effect would not be so considerable even if they got on, because as soon as they were on the Register they would have to conform to the usual customs and professional ethics.

817. Do you think that there are many unqualified people who, to use your own words, take advantage of the inexperience and ignorance of small traders and other persons ?—Yes.

818. The evidence we have had on that point has tended to show that the small trader can take care of himself, that he knows the good societies, that he employs the right men, and that he makes enquiries. You think he is taken advantage of, do you ?—We think so. (*Mr. Biggar*) : In my own personal experience I have come across men who have simply gone to the Directory and picked out a name, very much like putting a pin on a list of horses. They have gone to that person. That is not only so in the accountants' profession, but I heard of a case the other day in connection with the legal profession.

819. Then in paragraph **6** you say that a system of registration would bring about a cessation of those sectional rivalries and bids for recognition that have unfortunately characterised the profession. Do you think that a better appreciation by accountants of their obligations to the public would ensue on registration ?—(*Mr. Latham*) : I think so. What we have in mind there is a discontinuance of the Parliamentary activities that have been necessary.

820. Yes ?—(*Mr. Biggar*) : Might I draw your attention to the alternative ? When we get out of this rivalry there will be a concentration upon the development of the profession.

821. You think that these rivalries stand in the way of that ?—One's time that is taken up in that way cannot be taken up in other things. (*Mr. Latham*) : Our Association has spent something like £3,500 in the last few years in Parliamentary expenses, Counsel's fees, etc., in appearing before Parliamentary Committees. I think that money could be very well used to better advantage, say on education and so on.

822. In regard to paragraph **8** (*d*) of your Memorandum, Section 137 of the Income Tax Act, 1918, was responsible for the setting up of certain bodies, was it not ?—No doubt it was in the original stage. I have no doubt that it was one of the causes for the setting up of our own society. The Revenue Act, 1903, states that in order to have audience of the Income Tax Commissioners you must be a member of an incorporated society of accountants. We were formed in 1905. After that long lapse of years I do not quite think that the sole reason for the formation of these new societies was the passing of the 1918 Act.

823. It was not the sole reason, but it was one of the main reasons urged by many of the smaller societies ?—It was, in the earlier stages.

824. Then I gather from paragraph **9** (*b*) that you object to service under articles ?—(*Mr. Biggar*) : As an exclusive mode of entry to the profession we do.

825. But only as exclusive ?—If people desire to have articles let them have them, but it should not prevent other people entering the profession without articles.

826. I take it you consider that some form of practical experience is essential ?—Clearly it is most valuable.

827. In paragraph **10** you give a definition of the practice of accountancy. That appears to exclude persons holding responsible positions to a certain extent ?—From registration, but not from the practice of the profession.

828. From registration ?—Yes, only ; that is to say, a person on the Register would be there for the purpose of practising his profession publicly and offering his services in general to the public, but not as an employee of any particular organisation.

829. I think your membership is about 3,000 ?—(*Mr. Latham*) : It is about 3,000. (*Mr. Biggar*) : It is 2,900 odd.

830. About 906 of those are in practice on their own account ?—(*Mr. Latham*) : Yes, in public practice. It compares with the other societies to a very large extent. We have 32 per cent. in public practice, the Incorporated Society have approximately 40 per cent., and the Chartered Institute, I think, have about 49 to 50 per cent.

831. In paragraph **20** (*b*) you propose to include in the Register all accountants who have for a certain specified period been engaged in public practice as a principal means of livelihood ?—Yes.

832. Would this include the persons that you refer to in the latter part of paragraph **5** ?—I am rather afraid that it would. (*Mr. Biggar*) : In the first instance.

833. In the first instance ?—(*Mr. Latham*) : In the first instance, yes ; but as soon as they got on to the Register they would be subject to disciplinary control, and would have to cease those practices. (*Mr. Biggar*) : It would prevent the possibility of such persons commencing in practice.

834. Putting it shortly, you do not expect to prevent the people you mention getting on to the Register, but you think that once there disciplinary action would result in their names being removed from the Register ?—(*Mr. Latham*) : That is the point of mentioning a certain specified period. It is designed to prevent what a large number of people are now busily doing—putting up brass plates and calling themselves public accountants.

835. In paragraph **21** you say that the Register should include only the names of those accountants who are in public practice. How do you propose to deal with the case of bankers and solicitors who undertake accountancy work ?—We have a proposal in that regard, and it is this. We have no desire to take away the livelihood of any solicitor or estate agent or person of that kind who is doing accountancy work. It is a very difficult problem, but we think there is a solution in this way. In the case of the dental profession, when the Dentists Act was passed in 1921, there were certain men who ran dental rooms and that kind of thing and, by their assistants, practised dentistry. The names of those people were put on a

separate list, and so long as the names appeared on that list those men who were not dentists carried on their business as dentists and were not subject to penalties under that Act. That would automatically cease in course of time. We suggest the same sort of thing in connection with these people who are not accountants but who have for years derived a certain amount of their income from the practice of accountancy.

836. Have you considered this situation; the accounts of a very large commercial organisation might be placed before the public under the signature of the chief accountant of the organisation who, under your proposal, would not be on the Register? Would the public be prepared to accept that?—I think so; particularly if he was a member of some recognised society. A Chartered Accountant who was—

837. Then he would probably be on the Register?—No, not if he was not practising. But the public would accept the accounts of a firm like Lever Bros. if they were signed by A. Smith, Chartered Accountant. That would be a guarantee of proficiency and integrity and that kind of thing.

838. Are you suggesting that all such men would come on to the Register?—Only as and when they start in public practice and not when in an employed position. You cannot call the Chief Accountant of Lever Bros. or, say the Chief Accountant of Avery & Sons of Birmingham, men in public practice. They are employed as accountants for big commercial undertakings, and we say that there is no advantage to be gained by putting those people on the Register.

839. In paragraph **25** you mention the public interest. Have you any evidence that there is a public demand for registration?—Not more than that which has been declared by the Local Legislation Committee of the House of Commons. My Association does not place a lot of importance on the question of public demand, because it is rather inclined to think that legislation precedes public demand rather than follows it. Most of the good things that have been passed in this country have come before there was any public demand for them.

840. In paragraph **27** you suggest that every person who can show that he has been *bona fide* practising as a public accountant for a specified period should go on to the Register. Do you think that the public would regard being on the Register as equivalent to being competent?—No, I think not, particularly in the first instance. As time goes on the public would become educated in that way. Probably we should get to a normal level in years to come, but not in the first instance. We must make a start, and there are bound to be some unworthy of registration who will be on the Register.

841. Yes; but if you made a start with registration in order to educate the public it would be very necessary that the public should be satisfied with the men on the Register they employed?—Yes, I think they must satisfy the public.

842. Because they might employ some of the many people who, you say, would go on the Register at first, and be dissatisfied with the Register?—(*Mr. Biggar*): It would have to be left to the Provisional Council, in the first place, and to the Permanent Council, in the second place, as to whether a man should be put on or not.

843. In paragraph **32** you say that the force of the Association's claim in the Chester Bill proceedings moved the Local Legislation Committee to declare that registration of accountants was desirable in the public interest and in order to remove unwarranted disabilities imposed by existing conditions. Did they say that it was in order to remove unwarranted disabilities?—(*Mr. Latham*): They did so, we submit, in effect, because they said that they were of opinion that all qualified persons should be given the right of public practice.

844. Should be given an opportunity?—Should be given an opportunity of performing public service. Those were the words..

845. Turning to paragraph **60**, am I to understand that you mean there that public accountants who have no permanent office, etc., within the area covered by registration and who are not on the Register should be entitled to practise within that area irrespective of qualifications?—Yes. (*Mr. Biggar*): There are many cases of people in the Irish Free State and Northern Ireland who come over to Britain to audit accounts of subsidiary companies, it may be, or of clients in England and Scotland. It would be unfair to prohibit those people from coming here and doing that work. So long as they had no residence or office in this country they should be allowed to do that notwithstanding that their names were not on the Register.

846. Yes, I follow that; but in view of your proposals in paragraph **57** would not it mean that a person outside the area might have an unfair advantage over one who happened to have his place of business in the area?—(*Mr. Latham*): I do not think that would be so in practice; but I think it is a contingency that must be provided for, because I think that quite a lot of people come over here from Ireland. There would have to be reciprocity. If they have a Register in the Irish Free State they would probably have a clause like this to permit English accountants to go there to carry out such work. It is really a reciprocal clause.

847. In paragraph **71** (*b*) you mention "five years' practical accountancy experience of a comprehensive and responsible character". Can you tell us how that is interpreted in practice?—If he is engaged with a practising accountant and has been, say, a senior audit clerk for a period of at least five years; if he is in an employed position, say with a Municipality, if he has been Borough Treasurer or Deputy Borough Treasurer for a period of five years. I take five years as the period. In paragraph **40** (*d*) you will see that we recommend in regard to those in an employed position that it should be ten years.

848. Yes?—Or if he is engaged by a large commercial or industrial body, he shall hold a position that will give him a wide and comprehensive experience in all the different phases of accountancy work.

849. May I ask you one question on your Addendum. In paragraph **2** you say that the London Association petitioned against the wording of Clause 154 of the Cardiff Corporation Bill, and that the Institute and Society lodged a Joint Petition against alterations to the clause?—Yes.

850. What happened to the Joint Petition?—The Institute and Society appeared by Counsel. I can give you their words, and perhaps it would be better. I have a copy of the proceedings, if you would like to have it. (*Copies of the "Certified Accountants' Journal" for April were handed to the Committee.*) If you turn to page 144, you will see about half way down the first column what was said by Mr. Wrottesley, K.C., who was Counsel for the Institute and Society. If the Committee would read that, it will give them the full position. (*Mr. Biggar*): Just at the bottom of the second column there is the essence of it. Of course, that was a restricted view of the whole position. Might I point out that if the position had gone on and the case had not been put before the Local Legislation Committee the standing clause in regard to audits would have continued indefinitely until even a Registration Act was upon the Statute Book, if your Committee recommended that. (*Mr. Latham*): We take the view that this is not the real, true reason, though we may be wrong; because the Petition of the Institute and Society was sealed on the 4th March. This Committee was constituted, I believe, or the public announcement was made, on the 1st February, five weeks previously. When the Local Legislation Committee met on the 11th March, the Petition of the Institute and Society

was reported to them, with all the Counsel there, I think—Mr. Tyldesley Jones, Mr. Wrottesley and a junior—and nothing was said at the time, even up to that date. On the morning of the 18th March nothing had been said, but in the afternoon of that day they adopted this particular course.

851. (*Mr. Bellman*): You say in the middle of paragraph **6** of your Memorandum: "Furthermore, the establishment of, and insistence upon, a uniformly high standard of professional probity and excellence of work would" etc. "conduce to a better appreciation by accountants," and so on. I suppose you will agree that the Chartered bodies, both in England and Scotland, and the Incorporated Society, have helped, so far as they are concerned, to establish and maintain that high standard?—Yes, that is so. They have their delinquents the same as we have.

852. Then in paragraph **7** you say that the public requires not designations but competent and reliable accountancy service?—Yes.

853. Is it your opinion that the public does not get this now?—They think, perhaps, they do. I mean that the public have no security. They know that if they want an accountant, a Chartered Accountant is subject to discipline. They know the same of Members of the Incorporated Society, and to a great extent they know the same about our own Members. But there is a large number, probably as many more, who are not subject to that.

854. In answer to a question put by the Chairman, you referred, as evidence of the public interest in this question of registration, to the comments of the Local Legislation Committee of the House of Commons?—Yes.

855. Is there any other evidence of public dissatisfaction or public requirement of registration?—I do not think that there is. (*Mr. Biggar*): It is very difficult to concentrate or create public opinion upon a professional matter of this kind, whereas in a social matter one can judge of and concentrate public opinion. I do not think it is at all the same thing to speak of public opinion in regard to a professional matter as it is in regard to social affairs.

856. In other words, you have seen nothing expressed in the public interest apart from that reference made by the Local Legislation Committee?—It is difficult to concentrate and obtain an expression of public opinion. (*Mr. Latham*): I think that has been the experience of a certain local Chamber of Commerce I know. They were asked how they viewed the registration of accountants. On the Council of that Chamber of Commerce there are two Chartered accountants. The matter was referred to them, and they prepared a report, and reported to the Committee, and the Committee, I suppose, sent in their opinion on that. But that was not the opinion of the men round that Committee. It is the opinion really of the members of the society to which the accountant members of the Chamber of Commerce chance to belong.

857. Then in section **35** you say that the standards of the London Association are comparable with those of the Chartered Institute and the Incorporated Society. I take it from the context that you are referring to the examination standards?—In everything — examination standards and disciplinary control.

858. Then do you claim on behalf of your Association that your examination tests are as severe as those of the Chartered Institute and the Incorporated Society?—We stood nearly three hours' cross-examination on that point by Mr. Tyldesley Jones and others, who tried to shake confidence in our standard, and they failed.

859. Are there any records kept in your Association of candidates who come to you having, perhaps, failed in any of the examinations, either of the Chartered Institute or of the Incorporated Society?—Yes; we have cases where men have failed in our examinations and passed theirs.

860. Have you any illustrations the other way round, where men have come to you after having failed in the Chartered Institute's examination or the Incorporated Society's examination, and have passed yours?—Very few. We have one or two. If they cannot satisfy the Incorporated Society's examination there is very little hope for them in ours.

861. (*Mr. Branson*): You have attempted a definition of the practice of accountancy in paragraph **10** of your Memorandum, and I think we appreciate the difficulty of it?—Might I say that we are not married to that definition.

862. Of course. I only want to try to illustrate it. Do you regard, for instance, the accountant of a municipality as being in public practice?—No.

863. You do not?—No.

864. You have already said that you do not so regard the accountant of a large commercial concern, whatever his qualifications?—That is so; only those who hold themselves out to perform work for the public in return for a fee. I think that is something like the definition in paragraph **10**.

865. You said in one of your earlier answers, if I understood you, that you considered that nobody should be allowed to stand out of any legislation for registration?—Yes.

866. Do you mean that if there is registration you want to create one profession of public accountants without any sub-divisions at all?—No, not necessarily that. But if the profession of accountants is to be limited by Act of Parliament, that should be applied to all accountants, whatever their designation. (*Mr. Biggar*): It would not affect the continued life of the Chartered Institute, or of our own, or any other body.

867. Might a member of any of those bodies omit all reference to his being a registered accountant and call himself a chartered accountant pure and simple?—Yes, if he cares so to do; but he cannot practise unless he is on the Register.

868. Quite. But you do not want to make him state that he is registered and drop his other qualifications?—(*Mr. Biggar and Mr. Latham*): No.

869. Then in paragraph **6** there is your reference to sectional rivalry, and you say it would be a great advantage if that could be got rid of?—(*Mr. Latham*): Yes.

870. Does not that simply mean that you want to remove all distinctions between the various bodies which exist now?—No. We simply want a standard fixed to which each society that shall be recognised shall conform. They must have attained and maintain that standard of examination basis, of experience and of disciplinary control.

871. In paragraph **20** you suggest as one of the tests for eligibility service in public practice as a principal means of livelihood. That means that a man who has been a municipal accountant or an accountant for a large commercial enterprise gets no advantage out of his service in that respect?—Except that if he wanted to go into practice he would be one of the men in regard to whom in paragraph **21** we give a wide discretion. We say: "Provision should be made, however, to enable those so employed"—that means as municipal accountants and those of whom you speak—"but otherwise eligible for registration, to be registered as and when they leave their employed positions and become engaged in full-time public practice."

872. In other words, you would in certain cases let such service as I have referred to be a qualification?—For public practice?

873. Yes.—We think that with regard to the Treasurer of a large municipality the experience that he gains in that position entitles him to be permitted to practise accountancy if he desires to come into public practice. (*Mr. Biggar*): The purpose is to preserve their rights, if at a later date they decide to go into public practice instead of continuing in their employment, to apply for registration.

874. Does not it mean that you would put into public practice men with very limited experience?—(*Mr. Latham*): I think not. (*Mr. Biggar*): It would be a matter for the Provisional Board to consider what his experience had actually been. Had he simply been, shall I call it, a collector for a very small borough, then they would have the right to say, No. Had he been accountant of a large borough, then they would have the right to say, Yes. (*Mr. Latham*): The position the Association takes with regard to experience is that a man, say, in the position of City Treasurer of Birmingham, is much more capable of practising as a public accountant than a youth of twenty-one who has just completed his Articles. There is not much in accountancy that the City Treasurer of Birmingham would not have an intimate acquaintance with.

875. Might he not have a very limited knowledge of the intricacies of income tax business?—No; I think most Accountants would agree that the income tax problems which present themselves to municipalities are considerable and are very rarely met with in ordinary public practice.

876. But such a thing as Super-tax would not come his way, would it?—No, that would not.

877. It is a very important part of an accountant's business, is it not?—Yes, it has a place in an accountant's business.

878. If there is registration and all accountants are registered do you not think it will be likely to convey to the public mind that all accountants on the Register are equal?—No, I do not think that. (*Mr. Biggar*): No; it would only mean that they are fully qualified to undertake the duties of public accountants. Naturally, firms dealing with large concerns, say large mergers, become known, and they are selected for that particular purpose. There are others who specialise in other phases of accountancy, and they are selected for their experience in the same way even today.

879. I think we are agreed that as regards the public the class that wants protection is the very small trader. Do you agree?—The middle type of trader.

880. The middle type and below him?—Yes.

881. A large trading corporation can look after itself perfectly well?—As a rule.

882. Do you not think that that class would be led to think that every accountant on the Register was a properly qualified accountant?—Yes; and they would be properly qualified accountants or they could not get on to the Register. You mean in the first instance?

883. Yes.—I am afraid in the first instance you have to take the view that Parliament would not for a moment draw the line at any person. But in the process of discipline within the first few years there would be elimination, and the unqualified person would come off the Register through the ordinary process of time and by death and other causes.

884. (*Chairman*): I want to make this quite clear. Is there not a danger, as I said just now, that during the first year the public may do business with a man who is on the Register but is not entirely satisfactory? That is a possibility, is it not?—It is true.

885. If that is so, will not the question of registration be judged by that case?—No. You have to remember that all these people trade today. The danger to the general public is there.

886. But there is no registration to-day?—Registration is going to eliminate that. It will eliminate it and stop it.

887. In time?—In time. You must make a commencement.

888. Exactly. My suggestion is that during the initial stage registration must be judged by, if I may use the word, the unqualified people who will go on to the Register?—Of course. The fact is that the danger exists today, but it may not be known to the extent that it will be known when registration takes place. (*Mr. Latham*): It is a danger that was inherent in every form of registration, medical, dental, and so on.

889. (*Mr. Branson*): In answer to another question you referred to reciprocity between England, Scotland and Ireland. Will not the same question arise as between accountants coming from other countries?—(*Mr. Biggar*): Certainly. There will require to be reciprocity for persons entering another country to execute work which they are required to do in their own country of origin.

890. If we get to the position that, say, an American accountant cannot be registered here it will involve the risk of English accountants being shut out of America, will it not?—I am afraid that reciprocity will be included in all registration. But it will not give the right for them to commence business here immediately unless they are recognised.

891. Then a man who can get registration in, say, any European State will be entitled to come and set up here as an Accountant?—(*Mr. Latham*): Provided their standards are somewhat equivalent to our own. (*Mr. Biggar*): There will be a restriction of standard of quality and qualification.

892. But our first standard will be that every man who calls himself an accountant and has kept out of the police court will be registrable as an accountant?—(*Mr. Biggar*): In this country?

893. That will be our first standard?—Our first standard will be that. Everyone is assumed to be innocent until he is proved to be otherwise.

894. So that when registration is started there will be a great risk of a number of people getting themselves registered in some small European State and coming over here to trade?—(*Mr. Latham*): They could not do that because they would have to register here in the first instance. I mean that they would have to have a place of business and that would exclude them from practising in this country.

895. I do not want to name any State, but we have all had experience in company matters of the advantages which were taken of registration abroad. Do we not run the same risk with registration in this case?—(*Mr. Biggar*): There is reciprocity at the moment, might I suggest, between the Chartered Accountants of Ireland and those of Great Britain. The same policy of reciprocity could be continued on the same basis. (*Mr. Latham*): I think we also have it in our Colonies. Under the Transvaal Act an English accountant can go to the Transvaal and perform an audit so long as he has no residence or office in that place, and then come away again without transgressing the Transvaal Ordinances.

896. I am not so much afraid of the Empire as of some other countries?—Quite.

897. (*Mr. Walker Clark*): If an examination is not necessary for getting on to the Register, how would you test the capacity of the men whom you put upon it?—Their experience. There would be no other way of testing their capacity but by the record of their experience and the position they hold.

898. Is not the experience of a man who is engaged in a commercial organisation or in the accountant's department of a small borough exceedingly limited?—Ten years?

899. I do not mean limited in the sense that it is within his capacity, but in this sense. Take a man who is a railway clerk, for example. He deals purely with railway accountancy, and he knows nothing of the wider ranges of accountancy. The man who is a clerk in a Building Society's office knows a great deal about Building Society accounts and nothing else?—(*Mr. Biggar*): But it is not suggested there should be no examination.

900. But you admit people without examination, do you not?—No. (*Mr. Latham*): We are in just the same position as the Chartered Institute and the Society were at the beginning. At the beginning of the Chartered Institute, the Incorporated Society and our Association, men were naturally taken in who passed no examination; but entrance to our Association that way has been closed.

901. When was it closed?—Since 1919. It was partially closed in 1910.

902. The only test you would suggest for getting on the Register is work being done?—(*Mr. Biggar*): No: examination plus practice.

903. Or passing an examination, which means membership of some recognised organisation?—It will be limited to that. It will be limited to examination.

904. That is exactly what I wanted to know—It will be limited to examination plus experience. (*Mr. Latham*): Yes. (*Mr. Biggar*): Our contention is that experience cannot only be obtained in an accountant's office.

905. How many cases of disciplinary action are there in your organisation?—(*Mr. Latham*): Per year?

906. About how many?—Four or five.

907. What is the nature of the offences?—One or two will be reported for calling on another man's clients, which he is not supposed to do. Another case will be that on his letter heading he will probably have some term like "Income Tax Expert." We object to that and we insist upon him taking it out. In another case it might be that he has advertised. There again we treat that as a very serious offence, as being unprofessional.

908. The delinquents are not many, then?—Not many; very few really, because they know what will happen to them.

909. Am I to understand that in the case of the Chamber of Commerce who issued the circular, five people attended of whom two were accountants?—No, I did not give any number, and I did not say they issued a circular.

910. I understood you to say so?—(*Mr. Biggar*): They received a communication and remitted it to two Chartered Accountants to draft a report in reply to the circular.

911. I think the statement is not in accordance with the fact; I happen to know that circular. If registration took place it would mean a monopoly of public accountancy work, would it not?—No. It does not create a closed profession.

912. What is the advantage if it does not?—The advantage is security to the public by the process of obtaining entry to the register. It does not close the profession to any person who can obtain the qualifications, as it would do if Articles were insisted upon.

913. But what is the advantage of it if you can still go on as you are?—(*Mr. Latham*): We cannot go on as we are, because a man now, whoever he may be, can put up a brass plate and practise as an accountant. Under registration he would not be allowed to do that until he had satisfied certain standards and tests.

914. Therefore, it would be a closed profession?—No. We submit that if you do not make a monopoly of the right of access to the profession you cannot create a monopoly of its practice. Everybody would be free to enter provided he had the capacity.

915. By one door. Would registration mean a fixed scale of fees and a fixed scale of wages?—Not necessarily. (*Mr. Biggar*): The scale of fees would be left to the profession itself, just as in other professions.

916. Does that apply in all professions?—In the medical profession it does and in the legal profession also.

917. Is not the whole of your case really that you want equality with the Chartered Institute and the Incorporated Society for Parliamentary work?—That is not our case at all. We have secured that already. We secured it under the last Bill, the Cardiff Corporation Bill.

918. For that particular Corporation?—It now becomes a standard clause of the Local Legislation Committee, unless of course we are forced to go and appeal to them from time to time.

919. But no Corporation is compelled to adopt that clause. It is optional?—Yes, but it gives equality of opportunity for any accountant in the area to apply for appointment.

920. (*Mr. Kenneth Lee*): Am I right in assuming that this matter is before this Committee merely because the question of the appointment of municipal auditors was raised before the Local Legislation Committee?—(*Mr. Latham*): It was not only on the question of the appointment of municipal auditors that it was raised before the Local Legislation Committee, but on Gas and Water Bills.

921. But that is the real reason why this Committee has been charged with the duty of considering registration, is it not?—I am unable to answer that question. (*Mr. Biggar*): I do not think so. Efforts had been made before then to secure registration of the profession in this country and to secure public accountancy. I think the Incorporated Society put that forward in 1912. It may be that the appointment of this Committee arose out of the recommendation of the Local Legislation Committee; but that is not to say that that is the sole reason.

922. There is no evidence of a public wish for registration, is there?—In reply to another question I pointed out the difficulty of creating public opinion. You know that there was no demand for the Sermon on the Mount, nor for the Laws of Moses.

923. (*The Chairman*): If the public had been discontented at the treatment they received at the hands of certain accountants there would have been a demand, would there not?—(*Mr. Latham*): A very limited demand. (*Mr. Biggar*): We all come across instances of discontent with accountants.

924. (*Mr. Kenneth Lee*): Would you agree that the bodies whose accounts require to be audited should never appoint the auditor?—Should never appoint him?

925. Should never appoint the auditor—the body themselves—a Board of Directors of a company for instance?—They should never appoint the auditor, I agree. Their constituents ought to appoint the Auditors. (*Mr. Latham*): The shareholders.

926. Would you say that in the case of a municipal authority, they should not appoint the auditor?—(*Mr. Biggar*): It is very difficult to find another way of appointing the auditor. You have to remember that it is not the audit of the Municipal Authority themselves. It is the audit of the transactions of their officials, plus, of course, the application of their rights within their Acts to administer the funds in the proper way. Auditors always keep that in view.

927. Could not the appointment be left to some official authority, like the President of the Board of Trade ?—(*Mr. Latham*): That raises a very big question which has been the subject of controversy for the last thirty years. Of course, all Urban District Councils have an audit carried out by auditors appointed by the Ministry of Health; but that only applies to Urban District Councils. Under the Municipal Corporations Act, 1882, they have had a system of elective auditors. Anybody in the Borough could put up for the position of elective auditor whether he was an accountant or not. A commission considered that subject, I believe, as far back as 1895 and 1896, though I would not be sure of the date. They recommended the employment of professional auditors; and the Stoke, Chester and Cardiff clauses are the outcome of that practice which has been growing up during the last 20 years, of Corporations seeking power to appoint professional auditors in place of the elective Auditors prescribed by the Municipal Corporations Act of 1882.

928. Would you have any objection to some one like the President of the Board of Trade appointing auditors for the purpose ?—(*Mr. Biggar*): That is more for the Municipalities. You have always the Departmental Audits, you know. If you take the City of Glasgow, we have auditors appointed by the Education Authority itself. In addition to that, the Education Department have an auditor who audits all the accounts of the Authority. I presume that wherever there is State money going to a Local Authority a Departmental Auditor goes as a matter of course.

929. Supposing the President of the Board of Trade had been charged with that duty, this matter would never have been raised before us in all probability ?—It would depend upon what restrictions he personally applied to the Urban Districts.

930. You are aware of the position in Scotland, I suppose ? —Yes.

931. Where the Secretary of State for Scotland appoints certain auditors ?—Yes, the Secretary of State appoints certain auditors, I agree; but there are certain restrictions which he also applies.

932. He uses his judgment, does he not ?—He follows the regulations, just as in regard to the appointment of Public Auditors, the Treasury follow certain regulations.

933. Do you think it would be satisfactory if the President of the Board of Trade had the duty thrust upon him ?—No, it would not be satisfactory. Always, if you take account of the Public Auditors under the Treasury, the right of selection of the person put on the list by the Treasury lies with the society that wants an auditor. They have the right of selection, subject to restrictions of persons made by the Treasury. That could quite well be done and it is tantamount to registration.

934. (*Mr. Scott*): May I take it that your desire for registration is in order to get over two difficulties—inefficient men practising as accountants, and men who are not subject at present to any professional discipline ?—Yes.

935. I take it from your evidence that you claim, both from the educational point of view and the practical point of view, that the requirements of your Association are as stringent as those of the Chartered bodies ?—(*Mr. Latham*): We say they are.

936. Have you examined, or had an opportunity of examining, carefully, the requirements, educational and otherwise, of those numerous societies, who call themselves accountants of some kind or other ?—In parts, yes. We have a good deal of evidence regarding some of them.

937. I am specially stressing the point about the educational requirements ?—Yes.

938. As compared with your own standard ?—Yes, we have a good deal of evidence.

939. Are you satisfied that in a good number of those cases the standard is very materially below your own ?—Yes, we can prove that. I mean that, without mentioning names, I can say that since we closed our door early in 1920, the membership of one of those societies has increased. 83 per cent. of its present membership have been elected since we closed our door, and at least one-third of that 83 per cent. have failed to satisfy our requirements.

940. I take it from that statement that you do not regard those people as being really qualified to practise as public accountants in the broad sense of the term ? —They have some very good men here and there.

941. I am referring to the general run of them ?—Taking them generally they have but a small percentage in public practice.

942. Let us take those who are in public practice. Would you feel confident, if you did not know the men personally, in employing members of those bodies in place of Members of your own Association, the Chartered Institute or the Incorporated Society ? Would you feel quite satisfied in your mind ?—Not if I did not know them personally. If I wanted to employ one of those men I should ascertain when they had been admitted into one of these societies. If admitted recently I should not have any confidence at all in them, but if admitted in 1905 or something like that it might alter the case altogether.

943. Then we are agreed that there are a good number of men either outside of societies altogether or in some of these other societies who should not be regarded as fully qualified public accountants ?—I think that is so. (*Mr. Biggar*): And they may practise at any moment today.

944. I am aware of that. You suggested, I think, Mr. Latham, a little while ago that if a register was instituted it would have a tendency to levelling the difference between the societies who are already operating. Your own Association having established a certain status which you claim to be equal to that of the Chartered Institute and the Incorporated Society, would you not regard it as rather detrimental to the prestige of your Association to have these other Associations coming along and obtaining a common position ?—(*Mr. Latham*): We recognise that the early period after registration will be one of transition. That has affected the early days of all professions. We do not think that that will lower our status or our position. We do not think for a moment that registration will affect the Chartered Institute, the Incorporated Society, or ourselves.

945. Let me put my question in this way. Supposing you are to be registered as public accountants in common with members of those societies whose qualifications are rather doubtful: do you not think that it would mean a sort of levelling up in the public estimation ?—(*Mr. Biggar*): I do not think it follows that registration will mean the submerging of the existing professional bodies. A Registered Accountant can still call himself a Chartered Accountant if he is one.

946. Yes, that is quite understood ?—There will be no question of levelling.

947. We understand that probably your Association and a number of others would continue to use their own separate designations; but the point still remains, does it not, that you would find yourselves in practice as accountants with members of other societies as Registered Public Accountants ?—I do not think that.

948. You think that may not be detrimental to your Association ?—(*Mr. Latham*): I do not think it would be.

949. Yet you are going to confer upon these bodies under registration this mark, as it were, of public approval by calling them registered public accountants ?—I think that in the first stage of registration

the public will continue to do as they are doing now. They will choose as their own accountant a man with an acknowledged designation.

950. In paragraph **27** of your Memorandum you seem to suggest that it is necessary, if we have registration, that those who are found to be in public practice as accountants without any educational qualification should be admitted to the Register. Is that necessary ?—We think it would be unjust for any Act to be introduced which would take away a man's livelihood. That is the reason why we put that in.

951. I suggest to you that it might be decided to have a Register and only admit to it those persons in societies, or outside of any society, who could prove, say, to a National Board, that they were by education and by practical work eligible to be public accountants ?—We would agree to that.

952. You would approve of that ?—We should approve of that.

953. And would you leave outside the Register all those gentlemen, many of whom are probably quite respectable and honest men, who are able in consequence of their abilities to do audits in a small way and accountancy work in a small way ? You would leave them the means of livelihood, but they would not be registered public accountants. Would that satisfy you ?—(*Mr. Biggar*): In the first instance it might. That is for the first Register.

954. I see that in paragraph **40** of your Memorandum you have stipulated, and rightly so, for proper educational and other qualifications. But you agree that you, as a society, would not object to this qualified registration ?—(*Mr. Latham*): No. We put this in as the broadest possible view. We would agree with the other form of Registration.

955. I suggest to you that the broader method of registration would be a very serious danger because you would be admitting, would you not, a great number of people whom you yourself do not regard in any way whatsoever as qualified to act as accountants ? Why should you put them on if you are not bound to do so ?—Not if you are not bound to, no.

956. But you would approve of that suggestion at the beginning ?—It should be left to the Provisional Council.

957. It should be confined to those who satisfy the National Board as to their educational and other qualifications ?—Yes.

958. (*Mr. Wills*): In paragraph **8** (*c*) of your Memorandum, one of the arguments is that registration would remove existing barriers and so on. What is the real importance of that ? What I mean is, how would it affect the members of your Association supposing that the Cardiff Audit Clause were adopted generally: would it enable a large number of people to do work which they are not at present able to do ?—No, but it removes a professional stigma that might keep them from doing work at the present moment.

959. In other words, it is rather a matter of principle than one of practical importance ?—It is so to every society. There are only about 340 to 350 municipal bodies and about 9,000 practising accountants, so that only a small number of them can ever hope to get anything in the way of a municipal audit.

960. Is that the main thing ?—The removal of the stigma is the main thing.

961. That and the removal of the stigma are the only cases, are they ?—No, there is the matter of professional auditors. (*Mr. Biggar*): And the appointment of certain auditors by the Secretary for Scotland.

962. That is because when the Secretary for Scotland appoints the auditors he in practice restricts his selection to persons who are Chartered Accountants ?—(*Mr. Latham*): I think that is so.

963. In paragraph **8** (*e*) you say that the London Association is in favour of registration because it believes it would "prevent the constant large and uncontrolled influx into the profession of irresponsible persons" and so on. Can you give any idea of what is meant by "large" ?—I should say that during the year I receive anything from 100 to 150 touting circulars of people who call themselves accountants inviting either income tax work or audits, or something of that sort. That is only my own post. I am quite sure that others get them as well.

964. Do you mean 100 fresh people each year ?—Yes, they seem fresh. One may get a repetition in some cases. I have one name in mind which has been repeated for the last five years or so. (*Mr. Biggar*): Probably the best answer would be to refer to the Appendix to our Memorandum, which shows the recent formation of a so-called professional body as late as 1929.

965. Of course, the very great majority naturally are in the existing societies ?—I quite agree. That is the type of formation by the persons referred to.

966. I thought that in paragraph **8** (*e*) you were referring rather to persons who are not members of any society at all; but you also include members of societies ?—Yes.

967. There is a small matter that I do not follow in paragraph **27**. The second part of that paragraph is: "Further, in order to avoid hardship, the Provisional Board should be given discretionary power, in exceptional cases, to admit to the first Register any resident in the area who, though otherwise ineligible, in the opinion of a requisite majority of the Board, merits admission thereto by virtue of his knowledge and experience." In what respect would he be ineligible ? I understand that the only test of eligibility is that he should be practising ?—(*Mr. Latham*): Earlier in the paragraph we state that he shall for a specified period have been engaged in public practice. But it might very often happen that a very desirable and very qualified man might not have been in practice on his own account for such a period; and that would give the Provisional Board the right to admit that man, although he was not in public practice.

968. In paragraph **32** you relate the history of the appearances of your Association before the Local Legislation Committee. Did the Committee agree to put the London Association in the Clause in any of these cases ?—(*Mr. Latham*): Yes, in the Cardiff case.

969. Then so far as the cases referred to in paragraph **32** are concerned, the application of your Association did not result in the Committee inserting the name of your Association in the Clause ?—(*Mr. Latham*): In the Stoke Bill there was a technical difficulty, and the Committee in that case did say definitely that in their opinion for the future this Clause was too circumscribed. In the Chester Bill the Committee, instead of giving a decision on the petition of the Chartered Institute, made the declaration of which this Committee are all quite well aware.

970. The designation of the members of your Association is "Certified Accountant", is it not ?—Yes.

971. Has this designation been recognized by the Law Courts in any way ?—Not in a senior court.

972. I understand that if I put a brass plate outside my house calling myself a Chartered Accountant I may get into trouble ?—Yes.

973. If I called myself a Certified Accountant what would happen ?—You would get into trouble.

974. The point has been raised ?—Yes, and we have had to insist on its removal in many cases.

975. I notice in paragraph **31** that the percentage of passes in your Association on the average of ten years is 48 as against 57 in the Incorporated Society and 58 in the Chartered Institute. Does that indicate

a higher standard of marking, do you think, or is it that there is a similar standard of marking but a rather poorer quality of candidates?—I do not know. I think it is a combination of a number of factors. Our body has an independent Board of Examiners and the standard of marking in our examination is similar to that of the other two bodies. We only give those figures as an indication of the severity of our examination.

976. Does it not follow, if your standard is the same and fewer persons pass, that the quality of the candidates is rather lower?—The examination may be easier—that is to say, the questions may be easier in other cases. (*Mr. Biggar*): There is another element which comes in—that the persons examined by the Institute are practising the actual profession, and have been for years. It may be that a number of young persons who sit for our examinations have not the same broad experience in their early years as the candidates submitted to the Institute Examinations have. That probably makes it more difficult for our people to answer questions of a purely professional character. (*Mr. Latham*): There is another point too. The articled clerk usually has a period before his examination in which he is released from his duties to study for his examination. In most of our cases they cannot afford to do that, but have to study in conjunction with their work.

977. In paragraph **85** you say: "The Members of the London Association are recognised . . . . in the following ways; as auditors to Companies incorporated under the Companies Acts." What exactly do you mean by that?—In a general way we have been appointed by the Court as liquidators of Companies; that is recognition.

978. How?—As a general thing, as qualified, as we say, amongst others. (*Mr. Biggar*): As professional men we have an equal opportunity of selection.

979. All that the statement means is that Members of your Association have, in fact, been appointed auditors?—(*Mr. Latham*): That is so. In regard to sub-paragraph (c), under the Finance Act it has been usual to appoint a member of an incorporated society, and in regard to the Inland Revenue our Members are accepted as accountants in a similar manner to those of the two older societies.

980. Does that really involve any sort of recognition?—I think so.

981. But the first case does not?—Not the first, perhaps; that is the broadest one of the four.

982. Anybody could be appointed auditor of a Company by the share-holders?—Quite, but it is not every society that, like ourselves, has its name incorporated in articles of association. We have our name specially incorporated in the articles of association of companies as being eligible for auditing the accounts.

983. It is not a question of recognition, if I may put it in that way, so much as the good sense of the persons appointing you?—Except that they think us of sufficient importance to put our name into the articles of association.

984. As regards appeals to the Income Tax authorities, any member of an incorporated body of accountants can act?—Yes.

(*The Witnesses withdrew.*)

MR. FREDERICK WILSON, J.P. (*President*) and MR. J. STIRLING BROWN, C.R.A. (*Secretary*), representing the Corporation of Accountants, Limited, called.

The Committee had before them the following Memoranda by the Corporation of Accountants, Limited:—

MEMORANDUM No. 14.

1. This Memorandum of Evidence is submitted by the Corporation of Accountants Limited (By Guarantee) (hereinafter referred to as "the Corporation").

2. The Corporation is a recognised Association of Accountants and was incorporated under the Companies Acts, in Glasgow, on the Twelfth day of November, 1891, and is the third senior body of accountants in the United Kingdom.

The Registered Office of the Corporation is at 121 West George Street, Glasgow, and there are Branch Offices of the Corporation in London, Dublin and Belfast, and District Offices in Edinburgh, Newcastle, Leeds, Bradford, Sheffield, Doncaster, Manchester, Liverpool, Birmingham, Nottingham, Leicester, Cardiff and Bristol, while the Corporation has representatives in New York, South Africa, Palestine and India.

Detailed information regarding the Corporation is set out elsewhere in the Memorandum (see paragraphs **13** to **32**), but it may be convenient to mention at this stage that the Corporation has, as at 28th February 1930, 1,927 members and 2,863 student members.

Approximately 652 members of the Corporation are engaged in practice as accountants and auditors.

3. It appears to the Corporation that two main questions arise on the terms of reference to the Departmental Committee, viz.:—

(1) Whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law.

(2) As to the method by which such a register should be established and controlled.

4. On the assumption that it is considered desirable to set up a register of professional accountants, a third and most important question emerges, namely, as to what persons should be entitled to have their names inscribed in the register and be entitled to practise the profession of accountancy.

5. The Corporation respectfully desire to submit to the Committee their observations on these questions seriatim.

6. The question of restricting the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law, or "registration" as it may be conveniently called, has occupied the attention of the Council of the Corporation for many years and the Corporation have always advocated and supported the policy of registration.

7. Sir Thomas Robinson, Chairman of the Local Legislation Committee of the House of Commons, intimated last Session that in the view of that Committee the time is opportune and has arrived for the establishment of a register of properly qualified accountants. The Council of the Corporation are in complete agreement with this pronouncement and their principal reasons for arriving at this view are the following.

8. At the present time any person may hold himself out as an accountant and auditor irrespective of whether he may have had any professional training or qualifications. At a time when the tendency is to put more and more important and onerous duties and responsibilities on accountants and auditors it is in the view of the Corporation undesirable in the public interest that persons who have not the necessary qualifications should be entitled to practise as accountants.

9. A feature of the present position has been the formation in recent years of a number of associations of accountants, particularly since the passing of the Income Tax Act 1918, by virtue of Section 137 of which Act accountants being members "of an incorporated society of accountants" may be heard on appeals under the Act. In the view of the Corporation this is undesirable both from the point of view of the public and of the accountancy profession.

10. The establishment of a register of accountants would rectify the existing state of affairs and put the profession of accountancy on a proper footing, thus ensuring proper qualifications of those who practise the profession of accountancy and safeguarding so far as possible the business community and private individuals from the danger of employing inefficient and unqualified persons.

11. The Corporation desire to point out that in their view precisely similar circumstances pertain at the present time in regard to the profession of accountancy as have led in the case of other professions to the adoption and enforcement of the policy of registration.

In the case of the solicitors' branch of the legal profession, statutory regulation and control has been in force for several centuries.

In the medical profession the policy of registration was adopted in 1858.

More recently the policy of registration has been adopted in the case of dentists under the Dentists Acts, 1878 and 1921, and pharmaceutical chemists under the Pharmacy Act, 1852, and Acts extending and amending that Act.

12. It can hardly be disputed that this policy has been successful in the case of the professions to which it has been applied, and while there may be difficulties to be overcome in the way of applying it to the profession of accountancy, the Corporation desire to submit that the policy of registration can be applied to the accountancy profession.

The method by which it can (in the view of the Corporation) be brought about is discussed hereinafter.

13. If a register of professional accountants is to be set up by Statute one of the most difficult and important questions to be considered is as to what persons should be entitled to have their names inscribed in the register and be entitled to practise the profession of accountancy.

14. The Corporation respectfully desire in the following paragraphs to submit their claim that members of the Corporation should be entitled as such to be included in any register which may be set up.

15. The Corporation as already mentioned was incorporated in 1891, as a Joint Stock Company Limited by Guarantee. It was founded by practising accountants in Glasgow, and the principles adopted were of a democratic nature in so far as in the early days persons in practice as accountants and vouched for by members of the Corporation were admitted to membership.

16. The chief reason for the incorporation was to provide an organisation for accountants who were not in a position to serve a long period of apprenticeship at a small salary or who had not the means to pay a premium for Articles and were thus not in a position to qualify for membership of the only organised bodies of accountants in existence at that time. It was felt at that time that there were many efficient accountants who had not been able to qualify for admission to the Institute of Chartered Accountants or the Society of Incorporated Accountants and Auditors, and that it was desirable that these accountants should be organised for the purpose of discipline and the improvement of professional standards.

17. The steady growth of the Corporation is illustrated by the following figures (prepared from the Council's annual reports) showing the number of members and associates and students respectively for the years mentioned:—

Year.	*Members.*	*Students.*
1891 ...	7	—
1896 ...	155	2
1901 ...	283	57
1911 ...	597	317
1921 ...	868	619
1922 ...	976	775
1923 ...	1,081	1,185
1924 ...	1,209	1,493
1925 ...	1,333	1,840
1926 ...	1,515	2,217
1927 ...	1,800	2,912
1928 ...	1,914	2,947
28th Feb. 1930 ...	1,927	2,863

It is submitted that the steady growth in the number of members shown by the figures given above indicate clearly that the Corporation is in no sense a body of mushroom growth nor has the Corporation at any time in its history admitted persons to membership without careful scrutiny of their qualifications and suitability.

18. It has been the policy of the Corporation consistently to endeavour to improve the efficiency of their members and it was recognised as early as 1899 that it was desirable to institute a system of examinations. A system of examinations was accordingly adopted in that year, and has been progressively developed since its adoption.

19. Tables are annexed to this Memorandum showing the following figures which it is respectfully submitted are material to a consideration of this aspect of the case:—

A. Persons admitted to membership for the years 1892 to 1929 and persons ceasing to be members during those years, showing:—

(i) Persons admitted by election;

(ii) Persons admitted after passing examinations.*

B. (i) Candidates submitting themselves for examination for the years 1910 to 1929;

(ii) Candidates who passed the examinations;

(iii) Percentages of candidates passing.†

20. With a view to ensuring still further that members of the Corporation are fully qualified to practise as accountants and auditors, the Corporation have amended their Articles of Association, which amended Articles of Association came into force on 1st January, 1928. The effect of the amendment was to make the passing of the examinations compulsory in all cases except that persons who had become Associates of the Corporation under the original Articles of Association and who were Associates of the Corporation on 31st December, 1927, might become members under the original Articles of Association, provided they did so by 31st December, 1928.

21. Under the present Articles of Association (Article 7) no person can become eligible for membership unless—

(1) He has passed the examinations prescribed by the Council of the Corporation;

(2) He has had at least five years' accountancy experience;

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* Appendix M.
† Appendix N.

(3) He is at the date of application for membership in practice as a professional accountant, assistant to a practising accountant, or accountant in the employment of the Crown, or a Municipal Corporation, County Council, Public Body or Company or firm of good standing; and

(4) He satisfies the Council of the Corporation as to his character and suitability.

22. Prior to 1st January, 1928, when the passing of examinations became compulsory in all cases (other than those mentioned in paragraph **20**), members were admitted who had not passed the examinations. A considerable proportion of these have died or otherwise ceased to be members, and of a total of 1,927 members of the Corporation at the present time, the records show that 980 have passed the examinations.

As regards the remainder, it must be borne in mind that they were only admitted to membership after careful consideration by the Council of their individual qualifications and experience and many of them are established in practice as accountants and auditors at the present time. Further, among the members who have not passed the Corporation's examinations are a number who have passed similar examinations.

23. The Corporation submit that the test provided by the examinations†, taken in conjunction with the accountancy experience which is a necessary qualification for membership, ensures that persons admitted to membership of the Corporation are properly qualified to practise as accountants and auditors.

Specimens of recent examinations are set out in a separate booklet which is submitted herewith, and the Committee are respectfully referred to these.*

24. The Corporation realise that it is impossible to assess the value of the test provided by examinations merely from a perusal of typical examination papers in the absence of information as to the strictness of the marking of candidates' papers. Some guide as to the strictness of marking is afforded by the figures given in Table B‡ as to the percentage of candidates passing the examinations, and it is submitted that these indicate that the marking of examination papers is strict enough to ensure that persons passing the final examinations have been adequately tested in their knowledge of the subjects of examination.

25. The Corporation's examinations are held in June and December of each year, in Glasgow and London, and other centres.

26. One of the most important functions of any association of professional men is the exercise of disciplinary powers by the Association over its members.

27. The disciplinary powers of the Corporation are set out in the Articles of Association (see Articles **34**, **35** and **36**)† which are printed at the end of the Year Book, pages **344** and **345**, and to which the Committee are respectfully referred. Under the said Articles members are prohibited from advertising or soliciting for business, and must conform to the accepted rules of professional etiquette.

28. The Council have not been slow to take the appropriate action in cases which have come under their notice. In this connection attention is respectfully called to the fact that in the absence of registration, with the disciplinary control it would involve over all persons practising as accountants and auditors, the beneficial effect to the public of the disciplinary powers exercised by the Corporation (and other bodies) over its members is greatly impaired by the fact that even if a member is expelled, there is nothing to prevent him continuing to practise as before.

29. To summarise the contentions of the Corporation set out in the preceding paragraphs—the Corporation claim that for any person to be a member of the Corporation implies—

(1) That he is properly qualified to practise the profession of accountancy; and

(2) That he is subject to proper disciplinary control, and that accordingly, members of the Corporation as such should be entitled to have their names inscribed in any register of accountants which may be established.

30. During a period of nearly forty years, the Corporation has provided an organisation for and controlled a steadily growing body of accountants on the lines above mentioned, and it is submitted that this constitutes a very strong claim for admitting members of the Corporation as such to any register which may be set up.

31. In the following paragraphs the Corporation desire to submit their views on the question of the method by which a register of accountants should be set up.

32. The Corporation consider that the most satisfactory method of setting up and thereafter controlling such a register would be to constitute by Statute a Board (hereinafter referred to as "Accountancy Board") whose duty it would be to establish and thereafter maintain a register of persons entitled to practise as professional accountants and auditors.

33. Such a Board should be representative of commercial and business interests and might, it is suggested, consist of an equal number of members appointed by the Privy Council and of persons nominated by each association of accountants whose members are to be entitled to have their names inscribed on the register, together with a Chairman appointed by the Privy Council.

34. As mentioned above the Corporation claim that their members should be entitled to have their names inscribed in the register. The Corporation do not desire to put forward any views as to which of the other associations of accountants should be put in a similar position or to make any comment as to the claims, status or position of other associations of accountants.

35. It is also suggested that, following the practice which has been adopted when other professions have come under a system of registration, all persons in public practice as accountants, who have been so practising for a specified period should be entitled within a limited time to be registered on making application to the Accountancy Board, and provision would require to be made with regard to appeals to some independent tribunal (when registration has been refused) and similar matters.

36. It would be the duty of the Accountancy Board to maintain the register and to remove from the register the names of any persons removed or suspended from membership of the particular association by virtue of being a member of which he was entitled to be registered.

37. It is suggested that the Accountancy Board should also have independent power, subject to appeal, to remove the name of any person from the register.

38. It is submitted that after the establishment of the register no person whose name is not inscribed in the register should be entitled to practise or hold himself out as being prepared to practise as a professional accountant and auditor.

39. One of the practical difficulties in the way of establishing a register of accountants is to define the word "accountant." The Corporation submit that the interpretation of an expression such as "to practise as a professional accountant" would not involve any great difficulty if judicial interpretation was required as regards any particular case. Further, by giving a Board which included practical accountants among its members sufficiently wide powers, little, if any, difficulty would arise in practice.

40. It will be observed from the foregoing suggestions that the Corporation's proposals do not involve the winding up of the existing associations of accountants. Such associations would, under the Corporation's proposals, continue to function as heretofore. This is in accordance with the method followed as regards the medical and dental professions where similar problems were dealt with.

41. If such a method were to be adopted it would appear to be desirable for the proposed Accountancy Board to have power to approve the examination standards of the various associations of accountants whose members were entitled to have their names inscribed in the register or otherwise satisfy themselves that the standard of qualification for membership of such association was adequate.

* Not reproduced.
† *See* Appendix O.
‡ Appendix N.

MEMORANDUM No. 15.

1. The Corporation of Accountants Limited (By Guarantee) (hereinafter referred to as "the Corporation") respectfully desire to submit the following statement in supplement of the Memorandum of Evidence lodged by them.

2. The purpose of this Statement is to define the position of the Corporation with respect to Clause 154 of the Bill promoted this Session by Cardiff Corporation (and Bills containing similar clauses) particularly having regard to the decision of the Local Legislation Committee of the House of Commons on the said clause.

3. As the Committee are no doubt aware, the said Bill contained a Clause relating to the appointment of auditors by the Corporation of Cardiff in lieu of the auditors elected by the ratepayers, in terms of Section 25 (Borough auditors) of the Municipal Corporations' Act 1882.

4. The Clause restricted the persons to be appointed to members of the Institute of Chartered Accountants, or of the Society of Incorporated Accountants and Auditors. As passed by the Local Legislation Committee, the persons who may be appointed auditors are limited to members of the said Institute and Society, and also of the London Association of Accountants Limited.

5. The Corporation take strong objection to this form of Clause, as excluding members of the Corporation from being eligible for appointment as auditors of the accounts of the Corporation of Cardiff, and of other local authorities to whom similar powers are or may be granted.

6. In the case of Cardiff in particular, the Corporation would respectfully point out that the granting of powers as to the appointment of auditors in the present form inflicts hardship on one of the members of the Corporation, who is, at the present time, and has for five years been one of the elective auditors of the City, and who, if the Clause is put into operation, will be deprived of that office.

7. This is illustrative of the hardships which arise under the existing state of affairs, and the Corporation submit that registration of Accountants, as recommended by the Local Legislation Committee last Session, would remove the hardships and anomalies existing at present.

8. While it was, of course, open to the Corporation to petition against Clause 154 of the Cardiff Corporation Bill, and similar clauses in other Bills, the Corporation, after careful consideration, decided to take no action in Parliament with regard to the said Bills, having regard to the fact that the whole question is under consideration by the present Committee.

April, 1930.

MR. FREDERICK WILSON AND MR. J. STIRLING BROWN examined.

985. (*Chairman*): Would you like to add anything to your Memorandum of Evidence?—(*Mr. Wilson*): It was not my intention to address you, because I did not quite know from what angle you approached this matter. There are so many things that one could say. You have before you the Memorandum of our Evidence which sets forth in concise form the case of the Corporation and what they have to say about this matter; so I am not sure whether it would not be advisable just to leave it there, unless you would like me particularly to address you. If so I will do so.

986. Perhaps we shall obtain the information we desire by asking questions?—I am in your hands.

987. You were incorporated in 1891, I think?—Yes.

988. You say that 652 members of the Corporation are in practice?—Approximately.

989. I see that you say in paragraph **6** that the Corporation have always advocated and supported the policy of registration?—Yes.

990. Did you support it in order to help the profession?—And also ourselves.

991. I included that.—I have before me a Bill introduced on behalf of my body into the House of Commons by Mr. Chiozza Money on the 23rd February, 1911. It may interest you to know that there were certain statements made at that time by the promoters of that Bill which are materially the same today and which indicate that had the position been tackled at that time you would not have been here this morning. With your permission, I should like to mention one or two matters regarding that Bill so that you may see what bearing the situation had then as compared with today. Up to that time some twenty Bills had been introduced into Parliament dealing with the accountancy profession.

992. What date are you speaking of?—This was in 1911. I am referring to the Bill promoted by my Corporation. None of those Bills, however, made any progress. They had all been sectional Bills; that is to say, some of them dealt with certain societies only, seeking monopoly for themselves. Others dealt with the Chartered Societies in the three Kingdoms, who were also seeking a monopoly for themselves. But this Bill, that is the Corporation's Bill of 1911, was the first of its kind ever laid before Parliament and it included all the Societies and dealt fairly with them all. The Corporation of Accountants at that time had some 800 names on its Register, nearly half of whom had been admitted by examination. At that time there was no approach to suggesting a Conference. No society proposed a Conference, and it was manifest then that the profession was not ripe for anything but a Registration Bill. The position is, therefore, very much the same today as it was then. The Bill of 1911 sought to put registration under the Board of Trade, as no system of registration would be satisfactory to the profession were it to be controlled by any particular society or group of societies. The object aimed at was to have all accountants in public practice put on to the

Register. The statement for the promoters of the Bill goes on to say that it was not sought to register the different bodies of accountants as such, but their members only, leaving them to associate with any society at their own option. The Bill interfered with the rights and regulations of no society. Provision was made for admission to the Register of clerks and students belonging to the different societies who had passed the examinations, and for accountants who were then in public practice although belonging to no society. The position today is very much the same.

993. Do you suggest that the position today is very much the same as it was in 1911 ?—Not quite; excepting that the difficulties that exist today would not have been so intensified had the problem been tackled at that time.

994. But since 1911 more societies have sprung up, have they not ?—Yes, but they would not have sprung up had registration taken place.

995. I follow your argument.—I am seeking to show what the position of the Corporation was at that time. If the object aimed at at that time had been gained we should have had no difficulties today. But the problem has to be tackled at some time. It was not dealt with then and the position is more difficult today. If it is not tackled now it will be worse in five or ten years' time.

996. I understand that it is your view that registration would be a protection to yourselves, and that your protection would be a protection to the public ?—It would.

997. Do you think there is any public demand for it ?—I am not sure whether the word "demand" is the proper word to use.

998. Can you find a better one ?—Yes, there are many things that are good for the public for which there is no demand. After all, the public are not organized in the same way as a trade union.

999. If the public found that they suffered under the present conditions would not there be a demand that the position should be altered ?—Not necessarily. The voice of the public is very slow in being heard.

1000. It makes itself heard if it is discontented. Can you give us any instance in which the public have made a demand ?—I can only speak in a general way, and I think that is the position of all the societies.

1001. Do you find that small traders are employing accountants to an increasing extent ?—I do.

1002. What kind of people are they employing ?—Members of a variety of bodies, and people who are attached to no body.

1003. Do you think that the small trader suffers at the hands of unqualified accountants ?—Not necessarily.

1004. You think registration would not be of any benefit to him, because he is satisfied with the present conditions and is being well treated ?—It is rather difficult to define. There are cases where traders suffer but they do not always come to the public notice: there may be thousands of cases which I do not know of.

1005. But if there were thousands— ?—I am not necessarily bound to get to know of them. (*Mr. Stirling Brown*): I had a case of a trader who through an advertisement in one of the local papers employed a man to do his books for income tax purposes, and he was glad to get rid of the man in about two years.

1006. He was a man practising on his own account ?—Yes, and of no recognised body.

1007. Would he not have been able to come upon the Register under your paragraph **35** ?—If he could prove he was a *bona fide* accountant in public practice for a number of years, the years to be determined by this Committee or some other body. My point is that the public are entitled to expect any accountant they employ to be a *bona fide* accountant, and at the present moment this guarantee is not given.

1008. Nor would it be given under registration such as you propose, at any rate during the initial years, because that man might get on to the Register ?—Yes.

1009. He might then, as a registered accountant, be employed by a small trader ?—That is so.

1010. And his character and qualifications not having any value (he had not given satisfaction to the trader) the whole system of registration might be endangered ?—That man at the present moment is not under disciplinary control. Under registration he would be amenable to the discipline and regulations covering the whole of the profession.

1011. I quite appreciate that. What it really means is that there would be a certain number of unqualified men on the Register who would remain there until they had committed some act for which they would be brought up for disciplinary treatment ?—(*Mr. Wilson*): Not necessarily. We take it that if registration comes about certain anomalies and peculiarities would arise, are bound to, but it would only last for a short time and those difficulties would soon disappear. You must also bear in mind, supposing registration matured, that after all advancement in the profession is largely a personal matter. There are some people who may have an armful of certificates but may never make any progress. It is a matter of alertness and ability and the exercise of the knowledge he possesses.

1012. Does your Disciplinary Committee find it necessary to take action in many cases ?—We do. We have had four or five cases I think in the last three or four years.

1013. Touting ?—That among others. (*Mr. Stirling Brown*): If a man is convicted under the criminal code we wait until the Court has given its decision, but it does not follow that if that man has been acquitted by the Court he would be acquitted by the Corporation. We then look into his misdemeanour; it may be wrong from a professional point of view and we may take action; but if he is convicted then we get an extract from the Court. We have an instance of a man who touted for business, which was not a very serious case, but we suspended him for a year. The majority of our cases are young men who just require a bit of correction.

1014. What happened to the man who was suspended for a year. Was he out of practice ?—No.

1015. During the period of suspension did he carry on business ?—He was an employee. He was endeavouring to create a practice with the idea of commencing in public practice on his own account, I believe.

1016. Did he lose his appointment ?—No. We could not coerce the firm to sack the man.

1017. So he went on ?—We could only suspend him.

1018. So he continued with the business he was doing ?—Yes, as an accountant's clerk, but he was suspended from membership and the rights and privileges of membership of the Corporation of Accountants. (*Mr. Wilson*): May I mention an undesirable feature of that aspect. Supposing we expel a member of our society for some dishonourable conduct, in the existing state of affairs although he may be expelled there is nothing to stop him from carrying on business as heretofore.

1019. If he is expelled there is nothing to stop him joining another society ?—Where would he get into another society ?

1020. You would not include in the Register, I gather, the chief accountants employed by large commercial corporations ?—I do not know why they should be excluded. They might want to set up in practice.

1021. I think you would exclude them under the suggestions in paragraph **35** of your Memorandum: "all persons in public practice as accountants who have been practising for a specified period should be entitled within a limited time to be registered on making application to the Accountancy Board" ?—(*Mr. Stirling Brown*): Your suggestion would not come under this heading, because he would not be a practising accountant.

1022. Exactly, but I do not think there is any other heading in your suggestion under which he would come ?—That is true, because he would be excluded entirely.

1023. That is what I thought ?—The reason being that the Corporation consider there are only two headings under which he can come on the Register; actual practice as a *bona fide* accountant for a number of years, and membership of a particular accountancy body; I am not defining the body, I am leaving that open to question.

1024. You have a membership of 1,927, and you have 652 practising. How many of them would go on the Register—652 ?—No. We are hopeful of getting the 1,927, if not a few more.

1025. Then the position would be that all the Members of your Corporation would be on the Register. Outside your Corporation or any other bodies treated in the same way, there would only be practising accountants and auditors ?—(*Mr. Stirling Brown*): No, my Lord, we want to apply this principle which would apply to ourselves, to all the accountancy bodies. There are many accountants who are members of no accountancy bodies, they are free lance accountants, and if these men have been in practice for a length of time and have been making their living by the practice of accountancy, I do not think that any person should take their livelihood away from them.

1026. In answer to a question of mine you said you were going to omit from the Register people who are employed with big firms ?—Because they have not complied with the two main principles.

1027. Are there any Members of your Corporation who are keeping accounts for big firms ?—Yes.

1028. Therefore they are to be included, but the man who is not a member of any association would not be on the Register, although he might have similar qualifications ?—(*Mr. Wilson*): The members of all societies who satisfy you should be eligible to go on that Register to begin with, we may put it that way; that would apply to all the bodies. (*Mr. Stirling Brown*): My answer to your original question is this: that the case you state is not on all fours with the member that you suggest may be employed at the next desk to that accountant in this large concern that we are talking about. This Member of ours is a member of an accountancy body; in the other case he is not, and because he is not he is unfortunately debarred. It may be a case of hardship but I do not want to pass an opinion on that just now.

1029. In paragraph **21** you say that under the present Articles of Association no person can become eligible for membership unless he has had at least five years' accountancy experience. What exactly do you mean by that experience ?—(*Mr. Stirling Brown*): We insist that our candidates for membership must have some practical experience of accountancy. We take five years with a professional accountant irrespective of whether he would be a Chartered Accountant or an Incorporated Accountant, as long as he is in the profession. We also take experience into consideration as it may be obtained in Municipal Offices, Government Offices, the Civil Service, and also the experience obtained in commercial undertakings. The idea of the Corporation is that experience may be obtained outside the accountancy profession proper, but nevertheless it may be obtained.

1030. In the case of some companies, the auditor must be a shareholder of the company, must he not ? Have you thought of those cases with regard to registration ?—I believe there are such conditions.

1031. That man would not be able to get on the Register, according to your view ?—Quite, and if he has not the necessary qualifications he should not be the auditor.

1032. So that regardless of what experience he may have he would not be able to get on the Register. What would be the effect on the public mind ?—I do not think you can find very many cases where you could apply that suggestion. I do not think there is a specially large public company which has appointed an auditor who is not a member of some particular body.

1033. I have certainly two cases in my mind.—(*Mr. Wilson*): Supposing he is, if he has the necessary experience it would be open to him to apply to be put on the Register.

1034. (*Mr. Bellman*): With regard to examinations, I take it you are satisfied that under the control of your Examining Board the test you apply to candidates is now a very strict and a very stringent one ?—(*Mr. Stirling Brown*): Yes.

1035. Would you regard your examination as comparable with, say, the examination of the Glasgow Institute of Chartered Accountants ?—Yes.

1036. Quite as strict ?—Just as strong a test.

1037. Do you keep any register of candidates who have failed to pass the examinations of other institutes and then come along to you for examination ?—No; unless you happen to know of those cases particularly you are unable to get the names, because no list is published of unsuccessful candidates in Scotland.

1038. I wondered whether it was a question you put to them whether they had applied elsewhere and failed ?—We now ask the question through a form which they have to fill up, and up to the present we have had no information in that matter.

1039. Would you regard your examination as more severe than those of some of the lesser known accounting bodies ?—I am sorry I cannot answer that question because I am not acquainted with the examinations of the lesser bodies.

1040. (*Mr. Branson*): In paragraph **10** of your Memorandum you say that: "The establishment of a register of accountants would rectify the existing state of affairs." I understand that to mean that it would prevent the public from being misled by the mere fact of a man calling himself an accountant ?—That is so.

1041. In other words, that the fact of a man being on the Register would be a guarantee of his having at any rate the minimum qualifications ?—(*Mr. Wilson*): So far as that guarantee could be given.

1042. Do you not think that in the initial stages at any rate you are increasing the risk of the public being misled ?—I do not think so. In any case, as I said before, the difficulty would only be of a temporary nature.

1043. It will take a generation, will it not ?—I do not think it would go so far as that. I think we are entitled to assume that wherever a profession has been registered the same difficulty would exist in that profession which has been registered prior to its registration as exists today, and in those professions which have been registered, all those difficulties have been smoothed away. We are entitled to assume that they will also be smoothed away in this case. (*Mr. Stirling Brown*): I should like to suggest if I may that the present conditions would not be aggravated in any way by registration and in fact they would be relieved. One has to admit freely and candidly that certain unattached accountants are acting and advertising in a certain unprofessional manner today and there is no reason to suggest that

there would not be another 150 coming on tomorrow and doing the same thing. If a man's friends find he is making a decent livelihood out of touting in the accountancy profession they will take the same course. In the initial stages of the Register certain names would appear which might not be a credit to the accountancy profession, yet it would be better to have a few names rather than many, and in a matter of ten years the thing would right itself.

1044. Do you suggest there is any demand at the moment by the public, and particularly by the small trader, for accountancy work of a simple nature not requiring the skill and training of a highly trained professional accountant?—I can only answer that from my knowledge of how the Inland Revenue may look at the certificate and accounts of a small trader. They prefer to have the accounts prepared by a reputable member of the profession than by a book-keeper who may be working in his spare time. Consequently while the public may not make any clamour for any registration I am afraid it is because they have no great interest in the position.

1045. You do not quite follow the point of my question. Do you consider that there is any demand for cheap accountancy, such services as would not be rendered by a highly trained accountant?—I think I have your question, if I may say so. I believe there is a certain demand, because you find a small man is very loth to go to a large firm of accountants. He prefers to get a man of lower standing. It is not always to his good, but he is always afraid that a large firm charges enormous and exhorbitant fees which is not true. (*Mr. Wilson*): In other words a large and imposing office has much heavier establishment charges.

1046. It is not only that, but for an accountant to reach the high standard achieved by some of the bodies now involves an expensive training and so involves a high rate of remuneration to make it pay?—(*Mr. Stirling Brown*): From my personal knowledge I am aware of Members of the Institute of Chartered Accountants, the Society of Incorporated Accountants and Auditors and other accountants who do assist the small trader. I do not think that difficulty need worry us at the moment, because many accountants are most willing to help the poorer class of trader and are not charging anything like a fee commensurate with their work.

1047. In paragraph **16** of your Memorandum you refer to the inability to pay for Articles as being one of the obstacles to young men getting into the older societies. In Glasgow as a matter of fact the members of the Chartered Society do not charge any premium, do they?—No, but they ask you to work under an apprenticeship agreement.

1048. Yes: I only wanted to make the point that they do not charge a premium?—No. (*Mr. Wilson*): They get it in another way.

1049. They get cheap labour?—Quite.

1050. At the present moment you have roughly 947 members who were admitted by election; you have 652 practising. Can you tell me how many of the 652 were admitted by election, roughly?—(*Mr. Stirling Brown*): I would say 40 to 50 per cent.; I should not like to give you a definite answer to that. (*Mr. Wilson*): One has to bear in mind that in accountancy there is great competition today and it takes an accountant, whatever body he may belong to, a long time to build up a practice. Therefore it is open to him to take on work at whatever fees he thinks fit until he gets himself established. (*Mr. Stirling Brown*): May I supplement my answer regarding the Scottish position; in my day you started in apprenticeship with a salary of £5 or £10 a year, and you had increases of £5 or £10 a year until you had finished your Articles. I had occasion to place a young man in Glasgow six months ago and he started at £18 a year, and out of that he had of course to pay his class fees.

1051. (*Mr. Walker Clark*): With regard to examinations, I understood you in answering both Mr. Bellman and Mr. Branson to say that you considered your examinations were equal to those of the other societies?—Yes.

1052. So far as I have looked through your Final and Intermediate examination papers, I do not see any questions involving a knowledge of foreign languages?—That comes through the Preliminary.

1053. We were not supplied with the Preliminary examination papers, were we?—No.

1054. Higher mathematics do not appear except in so far as of trust accounts, etc., are concerned?—I think you will find that the Glasgow Chartered body require higher mathematics, but with the English Institute it is optional.

1055. In your case these appear in the Preliminary only?—Languages and mathematics.

1056. Is there any exemption from the examinations by taking University matriculation?—(*Mr. Wilson*): Yes, Preliminary only.

1057. In 1928 you made examinations compulsory?—Yes.

1058. There seems to be a very large number of men who joined the Corporation previous to 1928?—(*Mr. Stirling Brown*): There is a large number of men who would have liked to join the Corporation, but the old Council applied very strict investigation as to their character and their qualification. The Council admitted no person unless they were satisfied that if registration came in they (the Registered Authority) would be prepared to enter his name on the Register. (*Mr. Wilson*): In other words the type of candidate who was admitted was the type of candidate who today would have a claim to be admitted to the Register in the same way as according to precedent has happened where registration has already taken place.

1059. I am not regarding you as being hostile to a Register. I was merely trying to get the facts. Has there been any attempt by your Corporation, or would there be if registration obtained, to fix fees and wages?—I do not follow your question.

1060. If registration were adopted would there be an attempt to fix fees in the same way that legal fees are fixed now?—No, I think we would look upon that as a subsidiary issue after the main hurdle had been got over.

1061. Would you like that to come?—I do not know; we have not considered it; we are not a trade union. (*Mr. Stirling Brown*): It is a most difficult thing. Solicitors can get their fees, whereas sometimes accountants are in difficulty. Solicitors are backed up with a scale of fees, whereas accountants, although they have a scale published by Mr. Pixley, are very seldom able to get 7 to 15 guineas a day.

1062. Does the administration of insolvent estates by incompetent men who call themselves accountants amount almost to a scandal in your experience?—(*Mr. Wilson*): I have not experienced it. (*Mr. Stirling Brown*): It is certainly open to criticism; I would go as far as to say that.

1063. You are apparently not giving yourself away?—There was one black sheep among the twelve Disciples, and I do not think our average is as high as that. (*Mr. Wilson*): I think that applies not only to those who are unattached but even in certain bodies there are scandals.

1064. I asked you definitely in regard to one class of accountancy work?—One of the most expert accountants in the North of England today is a Member of my body, and the members of other bodies come to him for advice and assistance. He is an expert in trusteeship, executorship and insolvency, liquidations, bankruptcy, and so forth.

1065. That is not quite the point?—I have not had much experience myself.

1066. You have not come across cases of delinquency as a usual thing?—Not myself.

1067. (*Mr. Scott*): Does your Corporation operate chiefly in Glasgow?—No.

1068. Your main office is in Glasgow, is it not?—I can give you the figures if you like for England, Scotland, and so on.

1069. Please do?—In England, 1,239; Scotland, 218; Ireland, 152; Wales, 69; Abroad, 249; Total, 1,927.

1070. You were formed in Glasgow, were you not?—Yes.

1071. Why have you so few in Scotland; are they coming into England?—England has always been the exploring ground for Scotland.

1072. I know it has that tradition, but is it an actual fact?—I think it is an actual fact; in this case tradition and fact go together.

1073. Do you find the field more fruitful in England?—The population in England is much bigger to start with, and there is more money in this country and more and easier facilities for getting it than in Scotland.

1074. The number of those practising accountancy iu England is very much larger than in Scotland. Did not you find when your Corporation was formed in 1891 that there were plenty of accountants in Glasgow already?—(*Mr. Stirling Brown*): Yes, we have to go back to the time when I had no interest in the accountancy profession at all. The Corporation of Accountants is an off-shoot of the Scottish Institute of Accountants. In 1890 the Scottish Institute applied for a Royal Charter and they were opposed by three Chartered Institutes in Edinburgh, Glasgow and Aberdeen. They were denied the Charter and the result was that the Members of the Scottish Institute were left with a name and designation which quite easily might be used by any unauthorised person, and I have been told by the founder of the Corporation that he and his friends felt the necessity of forming a body under the Companies' Act, which would afford some protection for its members. At the same time they felt a real need in Scotland for an organisation which would admit members who had been in practice for some years and were unable to obtain admission to the Chartered Body, and to satisfy the growing needs of young men generally; I mean some other body than the Chartered Institute. It is not every boy who desires entrance to the accountants' profession who is able to be apprenticed to Chartered Accountants. I understand there is some limit to the number of apprenticeships that Chartered Accountants may take.

1075. I am aware of no definite rule in Scotland. I believe there is a practice, but there is no definite rule?—It is a moral understanding between the Members that they should only have two apiece, I think.

1076. I would not go so far as that. I think I could state quite definitely that there is no limit, but as a matter of fact in practice it would be unworkable to have too many apprentices?—(*Mr. Wilson*): There were bodies in existence in Scotland when the Corporation was formed, but you have the same thing on the south side of the Border. There have been bodies formed in this country within the last 25 years, but there were bodies existing before then.

1077. Is it not the case that in Scotland anything up to 95 per cent. of the chief accountancy work is done by Members of the Chartered bodies?—Perhaps in your part of Scotland, but in the West of Scotland there are many other accountants in practice than Chartered Accountants. I should certainly rebut the suggestion that 95 per cent. of the accountancy work in Scotland is carried out by Chartered Accountants.

1078. I cannot say for myself; I merely suggested that percentage, or something like it. because we have been told so in evidence?—It would be most difficult to get statistics, but from my knowledge of the accountancy profession in Glasgow and the West of Scotland (and I am speaking with 20 years' experience) I certainly suggest that the percentage of 95 is grossly exaggerated.

1079. I am not prepared to state a figure—I am merely repeating what has been suggested to us.—Assuming it to be so, whether the Corporation was registered in Scotland or whether it was registered in England, we are all one so far as accountancy is concerned.

1080. I see that in your paragraph **35** you suggest that all persons who have been practising as accountants should be put on the first Register. Is that desirable in the public interest?—It has been so; there are many precedents for it.

1081. Do you think it is desirable to allow those men, practising as they call it as accountants but not in a way which you would recognise, to be on the Register?—I think if a man has been practising as an accountant for so many years and makes a claim to come on the Register he would have to state his case.

1082. Would you be prepared to limit the Register to those who prove their qualifications, both educational and practical, to an Accountancy Board, or a National Board?—Are you referring to those who are outside the societies?

1083. Those who are either in societies now or are not in any society at all; would you be prepared to allow them to go on practising as they are doing now, although they would not be entitled to call themselves, say, "Registered Public Accountants"?—We are seeking today to get all Members of our body on to the Register.

1084. You elected a good number of your Members. Are you satisfied that those Members are of equal status and ability to those, for instance, who are in the Chartered Societies?—We are satisfied that they have the necessary ability and the qualifications, or they would not have been admitted to the Corporation.

1085. You really do not recognise any difference of status, do you?—We recognise that in the senior body there are many men of great eminence who are great and well-known experts, but legislation is not for the expert; it is for the average man. Secondly, we certainly pay due respect to the seniority of the Institute, but we are not giving ground in respect of professional efficiency.

1086. You claim that your examinations are equal to those of the other bodies in the profession?—(*Mr. Stirling Brown*): Yes.

1087. In the case of Glasgow Institute, is it not essential that apprentices shall qualify through the University classes?—Yes.

1088. Is there any stipulation to that effect in your requirements?—No, we allow a candidate to get his knowledge by private tuition.

1089. You claim that the result is as good as if he had gone through the University classes?—Yes.

1090. My main point is do you stipulate that a Register should include all who are practising at present as accountants? Do you think there is a danger in leaving those who are not qualified to practise although not on the Register?—(*Mr. Wilson*): We say that it should be done as it was done in the case of the Dental Register. A man who had been practising for five years as a dentist was, by virtue of that practice, allowed to come on to the Dental Register, and I believe a man who had been practising for three years was allowed to come in under some modified examination, the contention being that a man could get his experience by more avenues than one.

1091. Supposing that registration were settled and that the Members of your body were automatically entitled to become registered if they chose, would you think it was desirable to have men who are connected with inferior societies, or who are not in any society at all, admitted simply because they were practising as accountants?—It is necessary to start somewhere, and the Corporation's point of view is that registration applied generally would be to the good of the profession, and of the public. We consider the profession as a whole, and, consequently, I must answer that question in the affirmative. The Board, or some Authority set up, would define the kind of experience an unattached man should have, and to them he would have to prove his credentials. If he did so he would automatically be placed on the Register, just as the dentists did with hundreds of men who had passed no examination, but who had been drawing teeth for many years.

1092. (*Mr. Wills*): In paragraph **18** you say: "It has been the policy of the Corporation consistently to endeavour to improve the efficiency of their Members and it was recognised as early as 1899 that it was desirable to institute a system of examinations." That was as long ago as 1899. If you turn to the first table attached to your Memorandum* you will see that the average number of persons admitted each year by election was 26 in the years 1892 to 1901; 35 in 1902 to 1911; 49 from 1912 to 1921. In the years 1922 to 1928 it was 122; although in 1899 it was considered desirable to establish a system of examinations. How is it that although it was considered desirable to have examinations so many people were, during those years, admitted by election?—(*Mr. Stirling Brown*): They would have what was, in the opinion of the Council, sufficient qualification to be admitted without examination. They would be men of mature years, most of them in practice, and thus entitled to be recognised, and as the door was open, and as they fulfilled the conditions (rigorous conditions, I may say) they were admitted.

1093. In constantly increasing numbers?—(*Mr. Wilson*): The progress of the profession of accountancy during the last 20 years has been phenominal. (*Mr. Stirling Brown*): I think the War years brought accountancy much more into prominence than before.

1094. It was only quite recently you abolished one of the alternative methods of admission?—(*Mr. Wilson*): That is so.

(*Mr. Wilson*): I want to say one final word if I may: I was referring to a statement made by the promoters of a Bill introduced by the Corporation in 1911, which wound up in this way "It was believed by the Promotors that if this Bill became Law, by and by the different societies would draw closer together and ultimately an amalgamating Bill would be agreed upon, and sanctioned by Parliament, which would put the accountancy profession on a similar footing to the legal and medical professions, the ultimate goal aimed at." Those were the final words in the statement of the Promotors in 1911 and I think we may say it is our view in 1930.

* Appendix M.

(*The Witnesses withdrew*).

MR. DUDLEY P. HUTCHINGS (*Secretary and Past-President*), MR. ALEC K. FISON, F.C.A., B.A. (*Examiner*) and MR. F. PORTER FAUSSET, M.A., LL.B. (*Examiner*), representing the Central Association of Accountants, Limited, called.

The Committee had before them the following Memoranda:—

MEMORANDUM No. 16.

By MR. DUDLEY PROTHEROE HUTCHINGS.

1. I am a past President and now the Secretary of the Central Association of Accountants Limited (by Guarantee) hereinafter called "the Association."

Incorporation.

2. The Association was incorporated on the 4th July 1905, under the Companies Acts 1862–1900 as a Company limited by guarantee. It is a self-constituted body, formed for purposes not of gain and enjoying the privileges and obligations imposed on Companies formed under the British Companies Acts. Its registered office is situate at 5 Salter's Hall Court Cannon Street in the City of London.

Objects of Association.

3. The main objects of the Association as set out in its Memorandum of Association, are:—

> The provision of a central organisation of Accountants and Auditors and the consolidation of the interests of the Profession by a system of examinations and the issue of Certificates.

Method of government.

4. The Association is governed by a Council consisting of not less than 10 nor more than 20 members. At the present time, the Council numbers 15 members, eight representing London and District, six the provinces of England and Wales and one the Irish Free State. The Council is divided into five committees which meet at frequent intervals for routine work. The Council as a body meets at least once a quarter, or oftener if required.

Admission to membership.

5. The Members of the Association are divided into two classes, styled "Fellows" and "Licentiates" and the By-laws of the Association authorise its members to designate themselves "Associated Accountants" and to use the initials "F.A.A." and "L.A.A." respectively. The admission of candidates for membership of the Association is regulated by the provisions of the Articles of Association. The present Articles dealing with admission to Membership are as follows:—

> ARTICLE 5.—No person (except as provided by these presents) shall be eligible for admission to membership as a "Fellow" of the Association unless he, being a person eligible for examination under these presents, has passed the "Final" Examination hereinafter mentioned, or the "Final" Examination of the Institute of Chartered Accountants in England and Wales, or of the Society of Chartered Accountants in Edinburgh, or of the Institute of Accountants and Actuaries in Glasgow, or of the Society of Accountants in Aberdeen, and who is, at the date of application for admission to membership, a member of any of these bodies and has shown, to the satisfaction of the Council, that he has been continuously in practice as a Public Accountant in the United Kingdom, the Empire of India, or any Colony or Dependency of the United Kingdom, or has occupied a professional position which, in the opinion of the Council, is equivalent thereto for not less than five years immediately prior to the date of his application for admission.
>
> ARTICLE 6.—No person (except as provided by these presents) shall be eligible for admission to membership as a "Licentiate" unless he has shown, to the satisfaction of the Council, that he, being a person eligible for Examination under these presents, has passed the required Examination or Examinations, and that he has been continuously engaged for not less than three years as a Clerk to a Professional Accountant in Public Practice or an Accountant in the service of the Government of the United Kingdom, or of the Government of India, or of any Colony or Dependency of the United Kingdom, or of a Corporation or Public Body, or that he has been continuously in Public Practice as a Professional Accountant, as aforesaid, for not less than three years immediately prior to the date of his application for admission.
>
> ARTICLE 9.—No member of the Association shall be transferred from Licentiate to Fellow degree unless he has been for five years prior to the date of application for transfer a "Licentiate" member of the Association and in Public Practice as a Professional Accountant for a like period.

The limits of age for examinations and membership are as follows:—

	Intermediate Exam.	*Final Exam.*	*Membership.*
Articled Clerks ...	16 years	21 years	21 years
Non-Articled Clerks	18 „	23 „	23 „

6. No person may be elected a Fellow of the Association who is under 26 years of age (Articled Clerks) or 28 years of age (Non-Articled Clerks) and has had less than 8 years' experience in either a Public Practising Accountant's office or a position which in the opinion of the Council is equivalent thereto.

7. Prior to 30th September 1925, admission to membership of the Association was, under the powers of the Articles of Association then in force, by two methods, either by passing the Examinations together with at least a minimum of three years' experience in a Professional Accountant's office, or without Examination, where the candidate could show, to the satisfaction of the Council, that he had been continuously in Public Practice as a Professional Accountant for not less than ten years immediately prior to the date of his application for admission as a "Fellow" or for eight years, either as a Professional Accountant in Public Practice, or a Senior Clerk to a Professional Accountant in Public Practice in the case of a "Licentiate." Since the 30th September 1925, no person has been admitted as a member of the Association in the British Empire without having first passed the necessary qualifying Examinations or Examination, and shown to the satisfaction of the Council that he has had, at least, three years' experience in the Accountancy Profession. By the revision of the Association's Articles in March 1929 it is no longer possible for the Council to admit any person to membership (except Honorary Members) without Examination.

8. The membership of the Association consists, at the present time (1st March 1930) of 727 members (excluding 12 Honorary Members) and this has been secured by direct entrance only, and not by the absorption of numerous small district and foreign Societies.

9. The care that was taken by the Council in admitting candidates under the now obsolete Article to membership on experience only and without examination is proved by the fact that the average length of accountancy experience of the members so admitted was 13½ years. Of the members admitted without examination 225 were admitted on the special recommendation of Chartered or Incorporated Accountants.

10. The following figures have been taken from the present roll of membership:—

- 350 of the present membership received their Accountancy experience in Chartered or Incorporated Accountants' offices with an average length of service of 16½ years.
- 118 Members passed the qualifying examinations before admission. The average length of service prior to admission to membership is 7·93 years.
- 341 Members are Professional Accountants in Public Practice and have been so for an average of 17½ years. Of these 42 Members are in Partnership with Chartered or Incorporated Accountants, and, in 7 instances, are the Senior Partners in their respective firms.
- 180 Members are Senior Clerks to Professional Accountants in Public Practice and have been so for an average of 19 years.
- 112 are Managing Clerks or Principal Audit Clerks to firms of Chartered Accountants.
- 18 are County or Borough Accountants or Chief Accountants or Deputies to Municipal Corporations.
- 4 are Chief Accountants to 4 of the largest Railway Companies.
- 13 are Auditors appointed by the Government under the Friendly Societies Acts.
- 90 are Accountants to large commercial undertakings and of these 38 served with Chartered Accountants prior to taking up their present positions.

Examinations.

11. The Examinations are of a comprehensive character consisting of (*a*) Preliminary, (*b*) Intermediate and (*c*) Final. The "Intermediate" Examination includes papers on the following subjects—

- General Commercial Knowledge.
- Book-keeping and Accounts (including the Accounts of Limited Liability Companies).
- Book-keeping and Accounts (including Partnership and Executorship Accounts).
- Mercantile Law, the powers and duties of Receivers, Liquidators and Trustees.
- Auditing.

The "Final" Examination includes papers on:—

- Advanced Book-keeping and Accountancy (including Partnership and Executorship Accounts).
- Advanced Accountancy (including Costing and Taxation).
- Mercantile Law and Partnership Law.
- The Powers and Duties of Receivers, Liquidators, Trustees and Executors.
- Company Law and Bankruptcy Law.
- Auditing and the General Duties of Professional Accountants and Auditors.
- Economics: Banking, Currency and Foreign Exchanges; Law of Arbitration and Awards. (Two out of last three subjects are optional.)

The Examination Board of the Association includes:

- F. Porter Fausset, M.A., LL.B., Barrister-at-Law.
- Herbert J. Eldridge, Incorporated Accountant.
- M. R. Emanuel, M.A., Barrister-at-Law, B.C.L.
- Alec. K. Fison, M.C., B.A., Chartered Accountant.
- C. L. Ryley, M.A. (Oxon.).
- Rev. F. Taylor, M.A. (Cantab.).

who have an absolutely free hand with regard to the setting of the papers, and the passing of candidates.

12. The Number of Candidates who sat for Examination during the last 15 years is as follows :—

	Sat.	*Passed.*	*Percentage.*
Intermediate ...	300	198	66%
Final	191	134	70%

Articled Clerks.

13. Although many members have served under Articles and passed the Examinations, the Association does not insist upon service under Articles of Clerkship, involving as it usually does the payment of a premium. The Association maintains that the profession should be open to all who can become qualified and not be restricted to any particular section of society and further that a number of years' practical experience coupled with the passing of the qualifying examinations is an equal guarantee of efficiency to that afforded by a term of apprenticeship under Articles.

Association's Activities.

14. In furtherance of its objects, the Association since its incorporation, has (inter alia) effected the following :—

(*a*) Examinations for candidates for membership held regularly each half year.

(*b*) Established District Centres and opened branch offices in Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Portsmouth, South Wales and Monmouthshire, Dublin, America, Australia, British Columbia, India, South Africa and South America, and at most of these Centres periodical Examinations for Candidates for membership are conducted.

(*c*) Organised and held lectures, discussions and conferences on matters pertaining to Accountancy and on legal and other subjects.

(*d*) Established Libraries in London and the Provinces for the use of members.

(*e*) Compiled and published a Year Book of the Association (attached).*

(*f*) Published a monthly Journal, known as "The Associated Accountant" (Copies for the months September, 1929 to March, 1930, attached).*

(*g*) Established a Benevolent Fund for the relief of necessitous members.

Registration.

15. Registration in my opinion is required not only for the reasons already given in this statement of my evidence but because there are at the present time persons practising as accountants who are not under the supervision or control of any recognised body and also persons who have been guilty of unprofessional conduct who have been excluded from membership of any accountancy body. There is nothing to-day to prevent such persons still practising as accountants and to call themselves such.

16. The present position with regard to the accountancy profession operates very unfairly to those accountants who, although members of recognised bodies are not members of the Chartered Institute of Accountants and the Incorporated Society of Accountants, particularly so because a number of Municipal Corporations and other local authorities exclude from appointment as auditors any accountant who is not a member of the Chartered Institute of Accountants or the Incorporated Society of Accountants, and this notwithstanding the experience which any such person may have had; therefore at the present time an invidious and unfair distinction in this respect is made between one professional body of accountants and another.

* Not reproduced.

17. The Association has consistently advocated the restriction of the practice of the profession of Accountancy to persons whose names would be inscribed in a register established by law for the following reasons :—

(1) The better protection of the public.

(2) The desirability of bringing all persons practising as accountants under disciplinary control.

(3) The co-ordination and supervision of examinations and conditions of membership in regard to all accountancy bodies.

(4) The recognition by law of the profession of Accountancy.

(5) The settlement of the present anomalous position of deciding who are qualified accountants and who are not and, generally, for the consolidation of the interests of the profession.

Suggested Legislation.

18. In pursuance of this end, the Association has instructed Counsel to formulate the principles and methods which in their view, as at present advised, might be put forward as the basis for general legislation. On behalf of the Association I beg leave to produce such draft bill in evidence and a draft of the Bill as indicative of the views of the Association is annexed hereto.*

19. The following list comprises a few of the oldest and more important members of the Association, many of whom will be prepared, if the Committee wishes, to attend and give evidence before it :—

Matthaison, Eason & Co.	Queen Victoria Street.
Griffin Stone, Clark, Moscrop & Co.	Strand.
Dutton, Armstrong & Co.	London, Manchester and Stockport.
Horace Fruin, Warner & Co.	Braintree, Colchester and Sudbury.
T. J. Arthur & Son ...	Chancery Lane, London.
C. H. King & Co. ...	New Cross.
Wright, Fairbrother & Steel.	Gresham Street.
Greaves & Co.	Berwick-on-Tweed, Carlisle, Newcastle-on-Tyne.
Lucas & Gannaway ...	Queen Victoria Street.
F. H. Christlieb & Co. ...	Cheapside.
V. Wolfgang Bell & Co. ...	Old Jewry.
C. H. Tolly, Rowlands & Co.	Great Winchester Street.
Whittaker Bailey & Co....	Southampton.
Athol Campbell	Gateshead.
T. Howard Coath & Son...	Cardiff and Pontypool.
F. J. Gentle	Chichester & Bognor.
Arnold Watson & Co. ...	Manchester.
Clarke, Dovey & Co. ...	Cardiff, Swansea and Pentre.
A. E. Orbell & Son ...	Brighton.
J. F. Gee	Chief Accountant, London Midland & Scottish Railway.
C. H. Newton	Chief Accountant, London and North Eastern Railway.
G. M. Jennings	Chief Accountant, Metropolitan Water Board.

* Appendix P.

20. The following list gives the names of some of the principal firms of Chartered Accountants whose Senior Audit Clerks are members of the Association :—

Deloitte, Plender, Griffiths & Co.
Fuller, Wise, Fisher & Co.
Tribe, Clark & Co.
Harrison West Ledsam & Co.
Price Waterhouse & Co.
Beecroft Nicholson & Crew.
Cooper Brothers & Co.
A. J. Hill, Vellacott & Co.
Whinney Smith & Whinney.
Monkhouse Stoneham & Co.
Annan Dexter & Co.
Mellors Basden & Co.
Bryce Hamner & Co.
Josolyn Miles & Co.
Cragg, Turketine & Co.
Peat, Marwick, Mitchell & Co.

March, 1930.

MEMORANDUM No. 17.

BY MR. ALEC K. FISON, F.C.A., B.A.

1. I am a partner in the firm of Messrs. Knox Cropper & Co., Chartered Accountants of Spencer House, South Place, in the City of London.

2. I have been one of the examiners of the Association since October 1928 and am jointly responsible with Mr. H. J. Eldridge, F.S.A.A., for all papers set on Accountancy subjects, the actual division of the papers between us being left to our discretion. At the last two examinations held in June and December, 1929, I have set and corrected the papers in the following subjects :—

INTERMEDIATE	Book-keeping (including Partnership and Executorship Accounts).
	Auditing.
FINAL ...	Advanced Accountancy including Costing and Taxation.

3. Copies of both sets of papers for the last examinations, intermediate and final, are attached.*

4. The quality and standard of the examinations set by the Accountants is, in my opinion, a sufficient test of the technical knowledge of the candidates for membership of the Association and the standard of marks required for a pass is sufficiently high to insure that every successful candidate is sufficiently qualified to carry out the various duties of an Accountant.

March, 1930.

* Not reproduced.

MEMORANDUM No. 18.

BY MR. FREDERICK PORTER FAUSSET, M.A., LL.B. (CANTAB).

1. I have been legal examiner to the Association for over twenty years. Candidates for admission in addition to a preliminary examination have to pass an intermediate and final examination. In the intermediate examination a paper is set upon Mercantile law, and the law of Liquidators, Trustees and Receivers. If a candidate passes this examination he is eligible after an interval of time for the final examination in which (in addition to Accountancy papers) papers are set by me upon Mercantile Law, Company law, and Bankruptcy law, Partnership law, the law of Executors, and the law of Liquidators, Trustees and Receivers. There is also a paper upon either the law of Arbitration, or upon Economics, or upon the law of Banking and Exchange. Copies of both sets of papers for the last examinations, intermediate and final, are attached* and it will be seen that a thorough knowledge of these subjects is required before candidates are admitted as members. The standard of marks required for a pass is so high as to ensure that every successful candidate will be sufficiently qualified to carry out the various duties of an accountant. No candidate is now admitted without examination and the members of the Association are thus competent without exception for the work of their profession.

2. It is, of course, difficult to compare the standard of examination for one society with that of another in the absence of knowledge of all the particulars, but I am of opinion that the examination tests of the Association are in no way inferior to those set by any other body of Accountants.

3. I have had experience of accountancy examinations for many years, and am also examiner to the Incorporated Secretaries Association, 21, Bedford Square, W.C. I am assisted in the work of legal examiner to the Association by M. R. Emanuel, Esq., Barrister-at-law, of Mitre Court, Temple, who supports me in the above statement.

March, 1930.

* Not reproduced.

MR. DUDLEY P. HUTCHINGS, MR. ALEC K. FISON, AND MR. F. PORTER FAUSSET examined.

1095. (*Chairman*): Mr. Hutchings, is there anything you would like to add to the Memoranda of Evidence before we begin to ask any question?—No, my Lord, I think not; if you will proceed.

1096. From paragraph **5** of your Memorandum I understand that a Licentiate is required to pass the Final Examination of the Association?—Yes.

1097. In paragraph **6** you refer to "a position which, in the opinion of the Council, is equivalent" to experience in a public practising accountant's office. What would that amount to?—We consider that a Chief Accountant of a large limited company, a municipality, or a commercial or industrial undertaking would be equivalent to a public practising accountant and that the staff in the office of any of those persons would be eligible to be considered as having served with a public practising accountant.

1098. Your membership is 727?—Yes.

1099. How many of those are in practice on their own account?—341 are public practising accountants and their average length of experience as practising accountants is 17·8 years.

1100. That includes the time they were in practice before becoming Members of your Association?—Yes.

1101. Are your members only admitted after examination?—We only admit after examination. Prior to 30th September, 1925, we admitted, in many

cases, on accountancy experience without examination; eight years experience was the minimum required for a Licentiate and ten years for a Fellow. Since 30th September, 1925, admission to membership of the Association has been by examination only.

1102. Do your members take Articled Clerks?—Yes.

1103. Do they require a premium?—In all probability a premium would be required in the majority of cases.

1104. In paragraph **15** you allude to persons who have been guilty of unprofessional conduct and have been excluded from membership of an accountancy body. Would you say there are many of those in practise or very few?—As far as my Association is concerned there would not be many but I have one or two cases in mind where persons have been excluded from my Association but are still practising as accountants. I know one particular case—you will not wish me to mention the name—

1105. No.—where the person had to pay a substantial sum in consequence of his incompetence or carelessness, but he is still practising as an accountant in the City of London.

1106. I think one of your suggestions in your Bill* is that all persons in public practice should be put on the Register?—Yes, subject to their being able to convince the Council that they are *bona fide* accountants in public practice.

1107. Have you any fear that a man such as you have just mentioned (a man who is in public practice, but whose character is not such as you would wish) would get on the Register?—No. We provide for that. If any person has been excluded from any of the registered bodies, he will not be eligible to be put on the Register.

1108. There are many in public practice today who, although not guilty of any unprofessional conduct are not, perhaps, fully qualified. In the initial stages of registration would they be able to get on the Register?—They would be eligible if they could satisfy the Council, which we propose should be set up under the Bill,* that they had been in practice for a number of years, and were *bona fide* practitioners or members of a registered accountancy body.

1109. They might have been in practice for a certain number of years and yet not be fully qualified, might they not? Many accountants in a small way of business will have been in practice for many years, who you might not wish to be employed by the public. Is that not so?—There might be some certainly.

1110. Do you think there is any demand for registration?—I think there is, decidedly. I have put forward in my evidence my reasons why I think registration should come into being.

1111. So far, if I may say so, I do not think we have received any evidence of a public demand, only indications of a certain feeling that there is a public demand?—I do not think that the public really understand the position of accountants at the present time. In the majority of cases an ordinary member of the public considers that there is only one class of efficient accountant, and that is a Chartered Accountant. They are not aware that there are other bodies of accountants also efficient, and I think if the public knew the actual position there would be a considerable demand to put the profession on a proper and sound basis.

1112. I understand that one of the reasons put forward for registration is that the public—the small trader especially, and men of that description—should be protected against unqualified men. If these small traders have suffered as a result of employing unqualified men would there not ensue a demand for registration, or at least an outcry against the way they have been treated. Have you any evidence on this point?—No, my Lord, I have not.

1113. I think that under your Bill you would prohibit every unregistered person from practising accountancy?—Yes, that is so.

1114. Therefore bankers and solicitors, for example, would be prevented from doing work which they have heretofore done?—No, they would be prevented from setting themselves up as professional accountants, but not necessarily prevented from doing accountancy work; they would however be debarred from holding themselves out to the public as being professional accountants.

1115. May I ask one question on paragraph 4 of Mr. Fison's Memorandum. Would you say that so far as can be tested by examination every successful candidate is sufficiently qualified to hold himself out to the public as a competent accountant?—(*Mr. Fison*): Yes, certainly.

1116. May I ask Mr. Fausset this question: would you say that the general standard of candidates has improved?—(*Mr. Fausset*): Certainly, as there is more coaching for examinations now, and we get rather a higher standard of work done by candidates than we used to when we first started, which was about 25 years ago. I think the questions are more difficult than we used to set, and certainly we get better answers. I believe that applies to all examinations.

1117. I see in paragraph **2** of your Memorandum you say that as far as you are able to judge the standard of the examinations of the Association is in no way inferior to that of other bodies of accountants?—Yes.

1118. Is that on account of the questions which are set?—One cannot really say what standard of marks they require.

1119. But you think that judging generally it is?—As a test I think ours is as good as anybody's.

1120. What proportion of the candidates pass?—(*Mr. Hutchings*): I have that information. Of the Intermediate 66 per cent. passed, and of the Final 76 per cent. passed. That is during the last 15 years; I have not been able to go back further than that.

1121. (*Mr. Bellman*): I should like to ask Mr. Fausset one question supplementing the reply he has given: Would you think, Mr. Fausset, that you could fairly say that, taking the standard of the papers set and assuming something like a comparable standard of marking, it is as difficult for a candidate to pass the examinations of the Central Association of Accountants as for instance the examination of the English Chartered Institute or the Incorporated Society?—(*Mr. Fausset*): It is impossible to say that; I do not know the standard of marking. Looking at the papers I say that ours is as good a test, and certainly it is a sufficient test for any candidate. I do not think I can reasonably make a comparison when I do not know.

1122. You cannot go beyond that?—I cannot go beyond that.

1123. (*Mr. Walker Clark*): Mr. Hutchings, does the administration of insolvent estates by trustees who have very little knowledge either of law or accountancy amount almost to a scandal, in your judgment?—I should say it would.

1124. Is that your experience?—Yes, I should say so. I cannot quote any particular case, but my general knowledge would lead me to that conclusion.

1125. I should like to ask Mr. Fison one question: We know the type of question you set for the Intermediate and Final Examinations, but not for the Preliminary; is that Matriculation standard only?—(*Mr. Fison*): I have no knowledge of the Preliminary. (*Mr. Hutchings*): The Preliminary Examiners are an M.A. of Oxford and an M.A. of Cambridge, and

*Appendix P.

they carry through the Preliminary Examination, which is very much of the standard of the College of Preceptors' Examination, or Matriculation, or similar to those.

1126. Does it include languages?—One; candidates may choose the language they desire to be examined in.

1127. Higher mathematics?—Yes.

1128. (*Mr. Kenneth Lee*): You say that your Association has consistently advocated restriction of the practice of accountancy. I suppose you would consider in the event of a Register being started that all your Members would be eligible?—Yes.

1129. Those who have passed examinations and those who have not?—Yes, because those who came in without examination came in on accountancy experience of a minimum of eight years, and in very many cases much longer experience than that.

1130. Many of those members would have a very limited experience of the general problems of accountancy, would they not?—I think not, why should they?

1131. They are not practising?—Yes, they are practising; they were admitted because they had been practising accountants for a period of years.

1132. Practising as general accountants, not employed by some particular firm?—The great majority were either practising themselves, or were in the employ of practising accountants as senior or managing clerks.

1133. Then would you suggest that all your Members should be considered as eligible for registration?—I think our Members should be treated as the members of any other accountancy body. They should be eligible for registration.

1134. It would mean levelling down the profession, if the members of all the other bodies were accepted?—I do not think so. At the present time persons can practise without being members of any body of accountants.

1135. But the public can choose?—The public could choose if registration were in force.

1136. No, because there would be a Register?—But the public would not be bound to employ any particular registered accountant. They would still have the same choice as they have today.

1137. But the public would surely look at the Register and assume if a man was on the Register that he would have the necessary qualifications?—Exactly.

1138. They would obviously be assuming wrongly in some cases?—I do not quite follow you. It would be quite possible to have a Register in which the accountancy bodies could be registered rather than the individuals, that is to say, every person on the Register would have to be a member of a registered body, but he would maintain his identity. If a Chartered Accountant desired to call himself a Chartered Accountant he would still be able to do so. There would be no necessity for anyone to lose his identity. The only condition would be that unless he joined a registered body he could not be on the Register.

1139. Would you limit the Register to incorporated bodies?— Yes, subject to the protection of those who are not at the present moment attached to any body. Their position must be considered and they must have an opportunity of proving they are *bona fide* practitioners and, if so, of joining a registered accountancy body.

1140. Persons who belonged to one of the bodies would go on the Register automatically whether they were in practice or not?—Quite.

1141. Then the Register would consist of everybody?—Yes, every member of a registered accountancy body.

1142. Because those who were not already members of some registered body would become members very quickly?—If they could prove they were practising accountants, yes. It is not desired to rule out anybody who has been in practice and earning his living as a professional accountant for some years because he does not belong to any professional body now.

1143. But there are members of some bodies in existence at the present time who have no qualifications worth mentioning?—I do not quite follow you there.

1144. Some of the bodies of accountants in existence today do not require any particular qualifications before they accept a man as a member?—I cannot say that. As far as my Association is concerned we require ample qualifications before we accept any one as a Member.

1145. Surely some of the bodies recently formed have accepted people who may have been turned out of other societies, if I may say so?—That would be easily got over by naming the bodies that were to be registered.

1146. You think it would be easy to get over it that way?—I think it would be quite easy. What I suggest is that no accountancy body should be registered which has just come into existence for the purpose of getting on the register.

1147. (*Mr. Scott*): Just to amplify that question for a moment: I suppose that we are agreed that the aim of registration, if carried through, is to give a status, as it were, to the profession as a whole?—Yes.

1148. Let us assume, for instance, that Members of your Association were entitled to be registered. Have you had any acquaintance with certain other societies whose requirements, both educational and as regards practical knowledge, are of a very scanty nature as compared with yours?—I would rather confine myself to my own society.

1149. But this is a matter where the public have an interest. It is perhaps not necessary for us to consider your Association, or the Chartered Societies, or other bodies, which probably can well look after themselves; but it is asserted in certain quarters that there is a danger to the public from people who are not connected with any society, and some perhaps who are actually members of certain societies, practising as accountants when they should not be. Registration is a hall-mark, or would be a hall-mark, for those practising accountancy?—I agree.

1150. If you agree to that, would you not also agree that it would be desirable to postpone the admission of certain men to the Register until they could prove to the satisfaction of a National Board of some kind or another that they had the necessary qualifications? It would not debar any man who is getting his living just now by practising accountancy in a small way from continuing to do so, but it would prevent him from having, in the eyes of the public, the label of a registered public accountant or some such title. Would not that be an advantage?—I think it might be practical, provided the same method were applied in every case. I do not think the members of any one body should be admitted *en bloc* and the members of other bodies made to prove their claims individually.

1151. There are probably certain societies about which neither you nor we have any doubt at all, but there are others in regard to which there may be an element of doubt, and there are certainly doubts with regard to many individuals. Is it not desirable in the public interest to keep off the Register all those who cannot satisfy some sort of National Board that they have the qualifications which you

would require all practising accountants to have?—I see no harm in that, but may I point out that postponing registration only increases the evil?

1152. Why?—Because bodies of accountants may at the present moment come into existence at any time, and the sooner registration comes the sooner that condition will be put a stop to.

1153. But there would be no inducement for people to start new societies when they knew that to be a society of any standing, with any status at all, they must be on the Register?—Yes, that is my meaning.

1154. Whereas at present anybody may form a society?—I quite agree.

(*The Witnesses withdrew.*)

MR. D. HOWELLS (*President*), MR. S. C. JONES (*Member of the Council*) and MR. R. K. HARDY (*Secretary*), representing the Institution of Certified Public Accountants, Limited, called.

The Committee had before them the following Memorandum by the Council of the Institution of Certified Public Accountants, Limited:—

MEMORANDUM No. 19.

Registration.

1. The Council is strongly of the opinion that Registration of the Public Accountancy Profession is necessary:—

(1) In view of the increasing importance of Accountancy to Industry, Commerce and the Investing Public.

(2) To prevent persons without the necessary experience holding themselves out as Public Accountants and Auditors.

(3) To prevent the exploitation of the Public by persons and companies who advertise and hold themselves out at Income Tax Experts.

Restriction of Duties.

2. Amongst others,

(1) The Certifying of Balance Sheets and Accounts for Income Tax and other purposes.

(2) The right of appearing before the General and Special Commissioners of Income Tax on behalf of Appellants, subject to the present right of the Legal Profession.

(3) The Audit of Accounts of Public and Private Companies, and Municipal and other Corporations.

(4) For Fee or Reward acting as a Receiver for Debenture Holders, Liquidator of a Public or Private Company, Trustee in Bankruptcy or under the Deeds of Arrangement Act, 1914. Preparing a Statement of Affairs in Bankruptcy or Compulsory Liquidation of a Company, etc.

(5) For Fee or Reward preparing accounts for purposes of Estate Duty, Legacy Duty and Succession Duty, other than by a Member of the Legal Profession.

Original Register.

3. This should include,

(1) All *bona-fide* whole time Practising Public Accountants who are Members of an incorporated society of accountants.

(2) All other *bona fide* whole time Practising Public Accountants who have been such for a period of not less than five years.

(3) All employees of Practising Public Accountants who are Members of an incorporated society of accountants and have had not less than five years continuous service with a Practising Public Accountant.

(4) All other persons, including commercial accountants, who are Members of an incorporated society of accountants formed before the year 1919, and have had not less than five years consecutive experience as a Practising Public Accountant or in the employ of a Practising Public Accountant.

Compilation of Register.

4. The Original Register should be compiled by a Registrar who should be appointed by the Board of Trade who should not be connected with any Society of Accountants. Due provision should be made for right of appeal to a tribunal in the case of the Registrar refusing to admit an Applicant to the Register.

Control of Register.

5. A Board of Control should be elected by the persons on the Register which Board should have the duty of appointing subsequent Registrars. During the first five years after Registration becomes effective, the Board should consist of one third Chartered Accountants, one third Incorporated Accountants, and one third other Accountants on the Register including at least one representative from each Society of Accountants incorporated before the year 1919. This Board, when elected, should control the persons on the Register in a similar way to the control exercised by the various Councils of the present organisations.

Subsequent Additions to the Register.

6. This should be by examination controlled by the Board which should be open to Candidates with not less than seven years continuous service with a Practising Public Accountant on the Register or with five years service under Articles.

Existing Societies.

7. Persons having passed the prescribed examinations and having been admitted to the Register should be entitled to become Members of any society of accountants established before the year 1919 subject to such further conditions as the respective societies may impose.

Designation.

8. Persons having been admitted to the Register should be entitled to use the designation "Registered Public Accountant" and also any other designation granted by a society of which that person may be or become a Member.

MR. D. HOWELLS, MR. S. C. JONES, and MR. R. K. HARDY examined.

1155. (*Chairman*): Have you anything to say to us, Mr. Howells, before we commence to ask you questions?—No. I think our Memorandum covers the ground pretty well.

1156. I see your Institution was formed in 1903?—Yes.

1157. What is your present membership?—175.

1158. Have they all passed your examinations?—No. We are not necessarily an examining body. We aim more or less to provide an organisation for public accountants with long experience as well as for accountants' clerks who have served with chartered, incorporated and other public accountants for many years. In other words we take experience, rather than examinations, as our standard.

1159. Have you a standard of experience?—Yes. (*Mr. Hardy*): We calculate that 68 per cent. of our membership are in public practice. Of those, 43 per cent of the membership have been in practice for over seven years, the average time being 13½ years. The remaining 25 per cent. have been in practice under seven years, the average time being 3½ years, and in these cases the average period of service with public accountants prior to commencing in practice is 11½ years. The average length of service of those not in public practice but in the employ of practising public accountants is 14½ years.

1160. You have no definite period?—No. Each case is considered on its merits, and the Council for some time past has made a general practice of interviewing applicants.

1161. Is that indeed done?—Yes. It has been done for some time past.

1162. Do you exercise disciplinary control over your Members?—(*Mr. Howells*). Yes, they are not allowed to advertise or describe themselves as other than public accountants.

1163. Have you had many cases before you needing disciplinary action?—One or two in the last year or so, perhaps.

1164. That would probably be for advertising?—Advertising and unprofessional conduct.

1165. Was your Society formed to promote the interests of its Members?—Yes.

1166. Does it help the public if there is no examination?— (*Mr. Jones*): We consider ourselves a distinct type of society, and instead of doing as a number of the new societies do, namely, send out circular letters inviting young fellows to join, we simply content ourselves with admitting those with long experience of public accountancy, as employees or in practice, many of whom, perhaps, through no fault of their own, have had to go into public practice. For at any rate the last 20 years we have never sent out a circular letter asking people to join. They come along and we test each case on its merits. (*Mr. Hardy*): It is of use to the public that our Members are controlled. That, we think, is the great object of registration, that every practising accountant should be adequately controlled

1167. After he has been put on the Register?—(*Mr. Hardy*): We think that would be the result of registration, that only registered accountants would be practising and then they would be adequately controlled.

1168. Would you put on to the Register in its initial stages all practising public accountants?—We have made our suggestions in paragraph **3** of our Memorandum: All *bona fide*, whole time, practising accountants, who are members of an incorporated society of accountants, that is to say, who have been subjected to control already; and, secondly, all other *bona fide*, whole time, practising accountants, who have been such for a period of not less than five years. Then we come to employees of practising accountants who are members of an incorporated society of accountants, and have had not less than five years continuous service with a practising public accountant. In No. (4) we say: "All other persons, including commercial accountants, who are members of an incorporated society of accountants formed before the year 1919, and have had not less than five years consecutive experience as a practising public accountant or in the employ of a practising public accountant." We see no reason for putting on the Register members of incorporated societies of accountants whether they have passed examinations or not if they have not had experience of professional public accountancy.

1169. Would you exclude from the Register people who are not practising public accountants but who are working for municipal bodies or big commercial firms?—Yes, if, in the past, they had not had experience of public accountancy.

1170. Sub-section (2) of paragraph **3** reads: "All other *bona fide* whole time practising public accountants who have been such for a period of not less than five years." What have you to say with regard to persons who advertise and hold themselves out as income tax experts?—(*Mr. Hardy*): With regard to income tax experts we do not see why we, as accountants, should have to compete with ex-inspectors of taxes and ex-revenue officers who hold themselves out as public accountants.

1171. Perhaps I did not make myself quite clear. My point is this: You are prepared to put on the Register those who are whole-time, practising public accountants. When the Register is formed you may find on the Register people whom you would not consider qualified accountants, but who have been practising public accountants?—Provided they are members of an incorporated society of accountants.

1172. Are you only going to admit members of incorporated bodies?—(*Mr. Hardy*): No, in other cases, if they have been in public practice for five years. If a man has existed as a whole-time practising public accountant for five years I think that is some evidence of his capability.

1173. And his character?—Probably.

1174. Did you see my point?—Quite.

1175. The difficulty in the initial stages is to make quite certain that, if you open the door as wide as you suggest, the people who are admitted to the Register are of good character and of sufficient experience?—Yes, it might be open for anybody to show cause, on the ground of bad character or professional misconduct, why a person should not be admitted to the Register. That is a point your Committee might consider.

1176. In paragraph **3**, sub-paragraph (3), you mention: "All employees of practising public accountants who are members of incorporated societies of accountants and have not had less than five years continuous service with a practising public accountant." Would you accept them, whatever the nature of their duties?—I think so. A member of an incorporated society of accountants has certain rights at present, and we do not think it would be quite fair to take these rights away. For instance, he has a right of appearing before the Income Tax Commissioners.

1177. Would you accept all the members of the societies, whatever their duties may be, as eligible for the Register?—No. Under the suggestions in our Memorandum I think that the Chartered and Incorporated Accountants would automatically come in because they are all members of an incorporated society of accountants and they have all had five years experience in public accountancy. In the cases of other societies only members in public practice or with the necessary public accountancy experience.

1178. In sub-paragraph **4**, have you any particular reason for mentioning 1919 ?—(*Mr. Jones*): Since 1919 a number of societies have been formed and have made it their business to increase membership rather from the point of view of numbers and perhaps finance, but not perhaps so much from the test of service. We have a membership of just under 200 and are of a different standing altogether. Since this talk of registration has been about some of these new societies have sent out circular letters to members of the profession drawing attention to the possibilities of registration and urging them to join at once. That is the sort of thing we have not done and would not think of doing. That is why we suggest 1919.

1179. You would exclude from the Register a man who had spent the whole of his time in the accountant's department of a very large commercial organisation ? —Yes. We think that is no qualification for a public accountant. (*Mr. Howells*): The duties would be entirely different. For example, he would have to be ready to take up a bankruptcy case or a liquidation case.

1180. He might have had more experience than some of those who might be on the Register ?—It would be very exceptional. (*Mr. Hardy*): For instance, it is impossible to gain an experience of general income tax practice in the employment of one commercial firm.

1181. Do you not propose to include all the employees of practising public accountants ?—Provided they are members of an incorporated society, with at least five years continuous experience in the profession.

1182. They might not have had much experience ?—I think it would have been investigated before they became members. (*Mr. Jones*): Five years experience in public accountancy would be equivalent to at least 20 years in one commercial sphere only, I think.

1183. In regard to paragraph **5**, do you not think the public should be represented on a Registration Board ?—(*Mr. Hardy*): We do not provide for that, but we think it might be quite a desirable thing.

1184. (*Mr. Walker Clark*): Does your experience lead you to believe that there are a number of insolvent estates administered by incompetent persons ? —(*Mr. Howells*): I know of a case which took place only last year where an ex-regular army officer has been put in charge of an insolvent estate.

1185. As trustee ?—As trustee.

1186. Is that a very exceptional case ?—It is quite general, I believe, up and down the country, especially in the Provinces ; not so much in London.

1187. Would that in itself be sufficient to show the necessity for a Register ?—Yes. These duties should be performed by qualified men. Our Members are almost exclusively men with long experience in the office of a public accountant and/or as practising public accountants, whereas in quite a number of societies the members are employees of Corporations or companies or are engaged in business as accountants to a trading firm. We rather draw a distinction between "public accountancy" and "accountancy".

1188. It is not distinct, for instance, from the Chartered Institute ?—No. We recognise the Chartered Institute and the Incorporated Society as public accountants, of course.

1189. The Chartered Institute require experience ? —In a public accountant's office, yes.

1190. You are not a specialist type of body like the Institute of Cost and Works Accountants, are you ?—No.

1191. Nothing special at all ?—Only general Public Accountancy.

1192. May I ask what is the significance of the word "Certified" in the name of your association ? —(*Mr. Hardy*): It goes back to 1903—a very long way.

1193. What does it mean ?—(*Mr. Jones*): It is rather difficult to say. (*Mr. Howells*): I think the founders of the Institution probably took the title from that used by American accountants, who are the equivalent of Chartered Accountants here, and who call themselves certified public accountants ; they are subject to State or national control as the case may be.

1194. I take it it has no signification in your case ? —No, except as a particular designation of our members.

1195. (*Mr. Scott*): What are the qualifications for membership of your Institution beyond having been in practice or having been in a public accountant's office for some time. Supposing a young man of 22 or 23 came along and said he wanted to become a member, you would ask him if he had been in a Chartered Accountant's office or an Incorporated Accountant's office and had been there some five years or so, and had obtained the usual amount of office training. What would you ask him in addition to that ?—(*Mr. Hardy*): In some cases where they are young we insist on examination. The question as to what work he had done is gone into very thoroughly and in nearly every case the application is supported by Chartered, Incorporated or other Public Accountants. The average age of applicants admitted during the last few years is 38.

1196. That is to say, they produce a certificate from their employers that they have been in their office for so many years ?—Yes, and that they are suitably qualified to be admitted a member of a professional society of accountants.

1197. And that is all the educational test that you apply, is it ? Supposing one of your members were asked to deal with a case in which a bankruptcy or some other difficulty had arisen, would he be competent to do so ? Do you just trust to his having been in an office ?—(*Mr. Jones*): Yes, that is what it amounts to shortly. We should be guided by the reference from his employers, and by the particulars of his experience and the duties performed.

1198. What evidence have you that the man has studied Mercantile Law, Bankruptcy Law and so on ?—(*Mr. Hardy*): We ask those questions when the man is interviewed.

1199. If he had not done so, what would you do ?— That would influence the Council's decision in the matter.

1200. A man very often is in an office of some kind apart altogether from an accountant's office and he picks up all kinds of knowledge through natural ability, but he would never be competent to carry on as a principal. You do not have any real standard, I gather from what you say, in regard to educational matters ?—No. Our standard is chiefly based on length of service and experience. (*Mr. Jones*): Our members generally have all had long experience in the profession. An employee would only be admitted as an Associate, and would not be granted Fellowship, until he had been in public practice for a number of years. (*Mr. Hardy*): We usually fix a minimum of three years in public practice.

1201. Must this period of public practice be in connection with your Institution or otherwise ?— (*Mr. Jones*): In our Institution we should admit him as an Associate if we thought he had the right kind of experience, but we should not give him Fellowship until he had had some four or five years' experience as a public accountant, by which time we should have further evidence as to character and ability. (*Mr. Hardy*): And we would need to be satisfied as to the extent of his practice as well.

1202. In regard to registration do you suggest that he should be admitted if he had practical experience in that way ?—(*Mr. Jones*): After five years. (*Mr. Hardy*): Or provided he was a member of an association.

1203. Supposing he was not ?—Then after he has been in public practice for five years. You cannot take a man's livelihood away from him.

1204. As individuals you would approve of that ?— Yes.

1205. There must be many people practising who are not qualified at all ?—I think that arrangement of admitting those who had been in practice for not less than five years was found to work very well in the case of the registration of dentists.

(*The Witnesses withdrew.*)

APPENDIX L.

THE LONDON ASSOCIATION OF ACCOUNTANTS.

(Limited by Guarantee).

Extracts.

QUALIFICATIONS FOR MEMBERSHIP AND REGULATIONS REGARDING EXAMINATIONS, JANUARY, 1930.

There are two classes of members—Fellows and Associates. Fellows use the initials F.L.A.A., and Associates A.L.A.A., and the designation of members of the Association is "Certified Accountant."

Under the Articles of Association, admission to membership can only be obtained by the applicant satisfying both of the following conditions :—

(1) Passing the examinations of the Association, and

(2) Proving that he has had at least five years practical accountancy experience. See Articles Nos. 6 and 7 *infra*.

Branches.

The Association has fourteen Branches, i.e., ten in England and Wales, one in Scotland, two in Ireland and one in South Africa.

Regulations as to the Admission to Membership.

FELLOWS.

Article No. 6.—No person (except as otherwise provided by the Articles of Association) shall be eligible for admission as a Fellow of the Association unless he has been an Associate Member of the Association or a member of a body of Accountants approved by the Council for not less than five years, and has proved to the satisfaction of the Council that he has been continuously in practice as a Public Accountant for not less than five years, or has served as a Senior Accountant in the employment of a Practising Professional Accountant, the Crown or a Municipal Corporation or Public Body or has occupied a professional position which, in the opinion of the Council, is equivalent thereto, for a period of not less than ten years, and is holding that position at the date of his application.

ASSOCIATES.

Article No. 7.—No person shall be eligible for admission as an Associate of the Association unless he has passed such examination or examinations as may from time to time by bye-laws or otherwise be prescribed by the Council,* and also has had not less than five years Accountancy experience, and also is at the date of his application an Accountant in public practice or a Clerk to an Accountant in public practice or in the employment of the Crown or a Municipal Corporation or Public Body, or an Accountant in the employment of a firm or Company of good standing, and satisfies the Council as to his general character, experience and suitability.

* The Final Examination of the Association.

Entrance Fees and Subscriptions.

Subscriptions :—

United Kingdom or the Irish Free State :—

	£	*s.*	*d.*
Fellow (in Public Practice)	4	4	0
(not in Public Practice) ...	3	3	0
Associate (in Public Practice) ...	2	12	6
(not in Public Practice) ...	1	11	6
Others :—			
Fellow (in Public Practice)	2	2	0
(not in Public Practice) ...	1	1	0
Associate (in Public Practice)... ...	1	1	0
(not in Public Practice) ...		10	6
Entrance and Transfer Fees :—			
Associate	5	5	0
Transfer Fee (Associate to Fellow) ...	3	3	0

Regulations as to the Admission to Examinations.

The examinations of the Association are open to those who have adopted, or being under 18 years of age intend to adopt, Accountancy as a profession, and are desirous of qualifying for membership of the Association.

Articles are not a necessary condition.

The examinations are open to both sexes.

The Association hold the following examinations in June and December of each year :—

(*a*) Preliminary Examination (in subjects of General Education).

(*b*) Intermediate Examination (in Professional Subjects).

(*c*) Final Examination (in Professional Subjects).

Preliminary Examination.

All candidates for the Intermediate and Final Examinations will be required to pass the Preliminary Examination before being admitted to the higher examinations unless they prove to the satisfaction of the Council that they are graduates of any University, approved by the Council, or are persons who have passed any of certain specified examinations.

The Council may, by resolution, include any other specified examination or examinations in the foregoing list, provided that Candidates have passed, in such examinations, the same subjects as those set in the Preliminary Examination. Further, should any Candidate have passed any examinations approved of by the Council in subjects other than those set in the Preliminary Examination, the Council may require Candidates to sit for and pass in

any subject not so taken, and the fee for such examination shall be 10*s.* 6*d.* per subject. provided that the total fee payable shall not exceed the ordinary fee for the Preliminary Examination, when the ordinary examination fee shall be payable.

3. The Council may, if they think fit, and on the unanimous decision of the Examinations, etc., Committee, exempt from the Preliminary Examination any Candidate of the age of 21 years or over who has not passed any of the above examinations, provided that they are satisfied that the Candidate possesses the requisite educational status.

Every applicant applying for exemption from the Preliminary Examination will be required to produce satisfactory evidence as to age, qualifications, character, etc., etc.

Intermediate Examination.

No Candidate will be permitted to sit for the Intermediate Examination unless the Council is satisfied that the following conditions have been complied with :—

(*a*) That the Candidate is over the age of 18 years at the date of examination.

(*b*) That he has passed the Preliminary Examination or has been exempted therefrom.

The Council may grant exemption from the Intermediate Examination where the candidate :—

(*a*) Has passed the Preliminary Examination or has been exempted therefrom, and has passed an equivalent examination, or

(*b*) Is over 26 years of age and has had not less than 10 years professional experience in public practice or in the office of an Accountant in public practice, of such a nature as, in the opinion of the Council, would warrant such exemption.

(*c*) Is over the age of 30 years, and his professional experience is such as would warrant the Council granting such exemption.

Final Examination.

No Candidate will be permitted to sit for the Final Examination unless

(*a*) He has passed the Preliminary and Intermediate Examinations, or has been exempted therefrom ;

(*b*) A period of 12 months has elapsed since the passing of the Intermediate Examination.

(*c*) He has attained the age of 20 years at the date of the examination.

The Final Examination may, on application be taken in two Sections, but the whole examination must be completed within a period of three years. A candidate taking the two Sections of the examination separately must pass Section I before he shall be permitted to take Section II.

The special attention of the Candidate is drawn to the fact that the passing of the Examinations does not carry with it the right of admission to membership. It is essential that the conditions as to membership be in all cases complied with.—See Article No. 7.

Regulations as to Articled Clerks.

Members of the Association before receiving an Articled Clerk shall require of the person about to be Articled a certificate to the effect that he has passed the Preliminary Examination of the Association or has been exempted therefrom.

Where Clerks are articled to members of the Association, the Council require that such Articles shall be in the form approved by the Council, and be for a period of not less than five years.

No person can be articled under 16 years of age.

PRELIMINARY EXAMINATION.

SUBJECTS OF EXAMINATION.

Compulsory Subjects.

(1) English, comprising :—(*a*) Dictation and an Essay ; (*b*) Grammar, Precis writing, Paraphrasing, Questions on General Reading. (2) English History. (3) Geography. (4) Arithmetic, Elementary. (5) Algebra and Geometry.

Optional Subjects.

ONE of the following subjects to be selected by the candidate :—

(1) Latin. (2) French. (3) German. (4) Spanish. (5) Italian. (6) Irish. (7) Afrikaans. (8) Stenography.

INTERMEDIATE EXAMINATION.

SUBJECTS OF EXAMINATION.

Book-keeping and Accounts. Partnership and Executorship Accounts. Economics. Mercantile Law. Auditing. General Commercial Knowledge. Law of Property Acts.

FOR SCOTTISH CANDIDATES ONLY.

Framing Statements of Accounts, Correspondence, etc. Mercantile Law.

FINAL EXAMINATION.

SUBJECTS OF EXAMINATION.

Practical Accountancy. Methods and Machinery of Business. Partnership Law and Accounts. Economics (Including Economic History). Company Law and Rights and Duties of Liquidators. Cost Accounts and Systems of Costing. Executorship Law and Accounts. Rights and Duties of Trustees and Receivers. Statistics. Auditing. Income Tax Law and Practice. Law of Property Acts.

For Scottish Candidates Only.

Company Law. Bankruptcy Law. Trust Accounts, Framing Executry Accounts, etc.

For Irish Free State Candidates only.

Rights and Duties of Liquidators, Trustees and Receivers.

Colonial Candidates, Rhodesia.

Candidates sitting in Rhodesia will be examined in the subjects prescribed for ENGLISH candidates (including Law) unless a special request to be examined in the subjects particularly applicable to candidates in the Union of South Africa is received by the Secretary of the Association in London, not less than 4 months before the date of the Examination at which the candidate is sitting.

Examination Centres.

London, Glasgow, Edinburgh, Newcastle, Birmingham, Belfast, Cork, Dublin, Leeds, Sheffield, Manchester, Liverpool, Cardiff, Bristol, Nottingham, Hull, Plymouth.

APPENDIX M.

CORPORATION OF ACCOUNTANTS.

PERSONS ADMITTED TO MEMBERSHIP FOR THE YEARS 1892 TO 1929.

Year.	Persons admitted by election.			Persons admitted after passing examinations.		
	Admitted by election.	Number of persons elected to membership retired or otherwise ceasing to be members.	Net increase of membership by election.	Admitted after passing examinations.	Number of persons admitted after examination ceasing to be members.	Net increase of membership by examination.
1892	21	—	21	—	—	—
10 years to 1901	262	—	262	—	—	—
10 years to 1911	355	166	189	125	—	125
10 years to 1921	496	396	100	220	49	171
1922	111	68	43	77	12	65
1923	135	61	74	48	17	31
1924	120	59	61	76	9	67
1925	113	71	42	97	15	82
1926	122	27	95	111	24	87
1927	152	37	115	189	19	170
1928	102	83	19	117	22	95
To 28th February 1930	—	74	— 74	122	35	87
	1,989	1,042	947	1,182	202	980

SUMMARY OF PRESENT MEMBERSHIP.

By Examination	980
By Election	947
Total ...	1,927

APPENDIX N.

CORPORATION OF ACCOUNTANTS.

Details of Examinations.

1910 to 1922.

INTERMEDIATE.				FINAL.		
Entered.	Passed.	% Passed.		Entered.	Passed.	% Passed.
1,162	526	45·3%		506	341	67·4%

1923 to 1929.

Year.	Intermediate.			First Part.			Second Part.			Full Final.			Combined Full Final and Second Part Final.		
	Entered.	Passed.	% Passed.	Entered.	Passed.	% Passed.	Entered.	Passed.	% Passed.	Entered.	Passed.	% Passed.	Entered.	Passed.	% Passed.
			%			%			%			%			%
1923	471	253	53·7	32	22	68·8	—	—	—	59	49	83	59	49	83
1924	620	291	46·9	97	71	73·2	40	26	65	87	61	70·1	127	87	68·5
1925	604	320	53	163	105	64·4	97	69	71·1	90	49	54·4	187	118	63·1
1926	794	408	51·4	219	153	69·8	124	87	70·1	95	61	64·0	219	148	67·6
1927	800	412	51·5	252	174	69	150	107	71·3	128	89	69·5	278	196	70·5
1928	708	303	42·8	307	166	54·1	221	137	61·7	115	61	53	336	198	58·9
1929	601	250	41·6	261	114	43·7	210	131	62·4	99	37	37·4	309	168	54·4
	4,598	2,237	48·6	1,331	805	60·5	842	557	66·1	673	407	60·5	1,515	964	63·6

APPENDIX O.

THE CORPORATION OF ACCOUNTANTS, LIMITED.

(By Guarantee.)

Extracts from Handbook showing Objects, and Qualification for Membership, etc.

The Examinations of the Corporation are open to those (both sexes) who are engaged in Accountancy work and are desirous of applying for Membership of the Corporation. The passing of the Examinations does not *ipso facto* confer the right of admission to Membership of the Corporation.

EXCERPT FROM THE ARTICLES OF ASSOCIATION.

4. The Membership of the Corporation shall consist of two classes, viz., Fellows and Associates under these presents.

5. The following persons shall be deemed to have become Fellows of the Corporation, viz. :—

(2) All such persons as shall be elected or admitted to be Fellows by the Council in accordance with these presents, or any Bye-laws in force from time to time and have undertaken to accept and be bound by the articles and Bye-laws of the Corporation for the time being in force.

Fellows.

6. No person (except as otherwise provided by these presents) shall be eligible for admission as a Fellow of the Corporation unless he has been an Associate of the Corporation for at least three years, and has proved to the satisfaction of the Council that he has been in actual and continuous practice for at least three years as a professional Accountant and Auditor in the United Kingdom, the Irish Free State, the Empire of India, or any Dominion, Colony or Dependency of the United Kingdom ; or the United States of America ; or has served as a senior Accountant in the employment of a practising professional Accountant, the Crown, a Municipal Corporation, County Council or Public Body for a period of not less than five years and is holding the position at the date of application and is not under notice of dismissal or termination of his employment.

Associates.

7. No person (except as otherwise provided by these presents) shall be eligible for admission as an Associate of the Corporation unless he has passed such examination or examinations as may from time to time by the Bye-laws or otherwise be prescribed by the Council, and can shew to the satisfaction of the Council that he has had at least five years' Accountancy experience and is at the date of application either in practice as a professional Accountant, Assistant to a practising Accountant, or Accountant in the employment of the Crown, a Municipal Corporation, County Council, Public Body, Company, or firm of repute and good standing, and satisfies the Council as to character, general ability, experience and suitability.

11. Any person eligible for admission as a Fellow of the Corporation may be admitted an Associate of the Corporation, and any person who has become an Associate may, if eligible, become a Fellow on payment of the additional fees required by these presents or by the Bye-laws which may be in force at the time the application is made.

12. . . . . The Council shall at its discretion (subject only to conformity with the Bye-Laws and Articles of the Corporation for the time being in force) determine as to the admission of all applicants, and its decision shall be final. The Council shall not be bound to give any reason for its decision.

15. Every Fellow of the Corporation shall be entitled to designate himself Corporate Accountant as belonging to the Corporation, and may use the initials C.R.A., representing "Corporate Registered Accountant", or F.C.R.A., representing "Fellow of the Corporate Registered Accountants". Every Associate under these presents shall be entitled to designate himself "Corporate Accountant" as belonging to the Corporation, and may use the initials A.C.R.A., representing "Associate of the Corporate Registered Accountants". Associates may not use the initials C.R.A or F.C.R.A. Students of the Corporation of Accountants are not entitled to use these initials or designations.

21. The Council may from time to time, by Bye-Law, determine that service under Articles of Indenture of Apprenticeship with a person or firm exercising the profession or business of an Accountant, shall qualify for an examination or examinations as an Associate, and may also, by such Bye-Law, provide for a preliminary examination prior to the commencement of service under such Articles of Indenture, and may likewise prescribe the minimum period or periods of service, and make such other regulations in respect thereof as to it shall seem reasonable.

23. Every person making application to be admitted a Fellow shall lodge with his application the necessary admission fees, namely, £5 5s. or any such sum as the Council may, from time to time determine.

24. Any person making application to be admitted as an Associate shall lodge with his application the necessary admission fee, namely, £3 3s., or any such sum as the Council may, from time to time determine.

. . . . . .

26. Fellows shall pay a yearly subscription of £2 2s., Associates a yearly subscription of £1 11s. 6d.

. . . . . .

34. Any member shall *ipso facto* cease to be a Member in the event of his annual subscription being in arrear for six months from the date of same becoming payable, but shall remain liable for such subscription together with any other arrears of subscription or other sums which may be owing by him to the Corporation, and shall be liable otherwise as a member. The Council shall be entitled to suspend the operation of this clause in any case in which they are of opinion that it is reasonable to do so.

35. If any Member shall become bankrupt, or shall, either individually or as a partner in a firm, make, or agree to make, any assignment for the benefit of his creditors or shall pay, or propose to pay, any composition to his creditors or shall enter into any assignment by way of trust for his creditors, or execute any similar Deed or Agreement, or shall take, or attempt to take, the benefit of any statutory provision for arrangement with his creditors, he shall cease to be a Member, but at the discretion of the Council he may be reinstated, with or without a new entrance fee or a subscription.

36. If any Member shall be accused of dishonourable conduct, either before or after his admission, upon grounds which the Council, after investigation, shall deem sufficient to warrant his expulsion from the Corporation, the Council shall—and if he shall be accused upon the like grounds of conduct prejudicially affecting his professional status, or the interests or reputation of the Corporation, the Council may—convene a Special Meeting of the Council (of which meeting such member shall have fourteen days' previous notice sent to his last registered address through the Post Office) and such member may, by vote of two-thirds of the Members of the Council present at such Special Meeting, be excluded or otherwise dealt with as they may think fit, but any such decision may be at any time revoked or modified by the Council at a like Meeting by such a majority as aforesaid, subject to such terms and conditions (if any) as the Council may think fit.

Board of Examiners.

A. W. Anthony, C.A., F.C.R.A.
Wm. B. Butler, F.C.R.A., Barrister-at-Law.
Thomas Herbert, LL.B., Barrister-at-Law.
W. Barrie Abbott, B.L., C.A.
James McMillan, M.A., LL.B., Barrister-at-Law.
A. G. McBain, C.A.
Dr. Charlesworth, M.A., LL.B., Barrister-at-Law.
Alex. McDermid, C.A., A.C.W.A.
John Buyers, M.A.
W. F. Dickson, B.L.
James Leckie, M.A.

Examination Syllabus.

The Examinations of the Corporation are as follows, viz. :—

1. The Preliminary Examination.
2. The Intermediate Examination.
3. The Final Examination.

Preliminary Examination.

The Preliminary Examination shall embrace the following subjects, viz. :—

1. English.
2. History.
3. One language, viz. :—Latin, or French, or Spanish, or Irish.
4. Geometry.
5. Algebra.
6. Arithmetic.
7. Geography.

Intermediate Examination.

The Intermediate Examination shall embrace the following subjects, viz. :—

(*a*) Book-keeping and Accounts—One paper of 3 hours.
(*b*) Partnership Law and Accounts—One paper of 2 hours.
(*c*) Executorship Law and Accounts—One paper of 2 hours.
(*d*) Auditing—One paper of 2 hours.
(*e*) Mercantile Law—One paper of 2 hours.

Separate papers are set in respect of subjects (b), (c) *and* (e) *for Scottish, English, and Irish Students.*

Final Examination.

The Final Examination shall embrace the following subjects, viz. :—

(1) Practical Accounting.
(2) Income Tax Law and Practice.
(3) Partnership Law and Accounts.
(4) Auditing.
(5) Company Law, including Liquidation.
(6) Executorship Law and Accounts.
(7) Cost Accounts and Systems of Costing.
(8) Bankruptcy Law.
(9) Economics. (Statistical methods shall be included in the Economic Paper as from 1st January, 1931.)

Separate papers are set in respect of subjects 2, 3, 5, 6, *and* 8, *for Scottish, English and Irish Candidates.*

The Final Examination may, at the option of the Candidate, be taken in Two Sections as under, but the whole examination must be completed within a period of eighteen months.

Section 1.

(1) Practical Accounting—One paper of 3 hours.
(2) Income Tax Law and Practice—One paper of 1½ hours.
(3) Partnership Law and Accounts—One paper of 2 hours.
(4) Auditing—One paper of 2 hours.
(5) Company Law—One paper of 1½ hours.

Separate papers are set in respect of subjects 2, 3 *and* 5 *for Scottish, English and Irish Candidates.*

Section 2.

(6) Executorship Law and Accounts—One paper of 2 hours.
(7) Cost Accounts and Systems of Costing—One paper of 2 hours.
(8) Bankruptcy Law—One paper of 1½ hours.
(9) Economics and Statistical Methods—One paper of 2 hours.

Separate papers are set in respect of subjects 6 *and* 8 *for Scottish, English and Irish Candidates.*

APPENDIX P.

DRAFT BILL SUBMITTED BY THE COUNCIL OF THE CENTRAL ASSOCIATION OF ACCOUNTANTS, LIMITED.

Arrangement of Clauses.

Clause.

1. Prohibition of practice of accountancy by unregistered bodies.
2. Establishment and constitution of Council and appointment of Registrar.
3. Persons entitled to be registered.
4. Identity of accountant bodies.
5. Contents and form of accountants register and other provisions as to register.
6. Refusal to register.
7. Removal of name from register.
8. Appeal against removal from register or refusal to register.
9. Power of the Council to make regulations.
10. Council to settle disputes.
11. Application of moneys received and accounts of fees.
12. Interpretation.
13. Provisions as to evidence.

1. (1) No person shall, unless he is registered in accordance with the provisions of this Act, practise or hold himself out, whether directly or by implication, as practising or as being prepared to practise accountancy.

(2) Any person who acts in contravention of the provisions of this section shall, in respect of each offence, be liable on summary conviction to a fine not exceeding one hundred pounds.

(3) This section shall come into operation on the expiration of one year from the commencement of this Act or on the expiration of such further period, not exceeding two years, as His Majesty may by Order in Council direct.

2. (1) For the purposes of this Act there shall be established a Council (hereinafter referred to as "the Council") which shall be a body corporate by the name of the General Council of Accountants of the United Kingdom with perpetual succession and a common seal and power to acquire and hold land without licence in mortmain.

(2) The provisions contained in the First Schedule to this Act shall have effect with respect to the constitution and proceedings of the Council.

(3) The seal of the Council shall be authenticated in manner prescribed by the Council and any document purporting to be sealed with the seal so authenticated shall be receivable as evidence of the particulars stated in that document.

(4) For the purposes of this Act a Registrar shall be appointed and shall be independent of any of the bodies mentioned in this Act. The first Registrar shall be appointed by the Council with the approval of the Privy Council and any subsequent appointment to the office of Registrar shall be made by the Board of Trade.

(5) The Registrar shall be remunerated from fees contributed by the bodies mentioned in this Act, as may be prescribed by the Council, and in prescribing such fees the Council shall have regard to the fees to be paid to the Registrar by applicants for registration who may not be members of any of the bodies mentioned in this Act.

(6) The person first appointed to the office of Registrar shall hold office until the expiration of the term of office of the first members of the Council and shall receive such salary as may be fixed by the Council with the approval of the Privy Council and any person subsequently appointed to the office of Registrar shall hold office for such period and shall receive such salary as may be fixed by the Council.

(7) The Council may appoint a person to act as assistant registrar subject, in the case of the person first so appointed, to the consent of the Privy Council, and may employ such other officers as the Council consider necessary.

There shall be paid to the additional registrar and the officers of the Council such salaries or remuneration as the Council may from time to time determine.

3. The following persons shall (subject to the provisions of this Act hereinafter contained) be entitled to be registered under this Act :—

(1) All persons who are now members of the Institute of Chartered Accountants in England and Wales, the Society of Incorporated Accountants and Auditors, the Corporation of Accountants Limited, the Society of Accountants in Edinburgh, the Institute of Accountants and Actuaries in Glasgow, the Society of Accountants in Aberdeen, the British Association of Accountants Limited, the Institution of Certified Public Accountants Limited, the London Association of Accountants Limited and the Central Association of Accountants Limited from lists to be supplied by the councils thereof or who shall become members of any such bodies.

(2) Any person who (although not a member of any of the bodies mentioned in this Act) shall within six months from the passing of this Act give notice in writing to the registrar and, within twelve months from the passing of this Act, proves to the satisfaction of the registrar that he has been in practice as a professional accountant in the United Kingdom for a period of not less than five years prior to the passing of this Act, subject, nevertheless, to the provisions of Section **9** of this Act.

(3) Any person (not being a person entitled to be registered under the preceding provisions of this Act) shall be entitled (subject nevertheless to the provisions of Section **9** of this Act) to be registered under this Act on producing or transmitting to the registrar a certificate of any Society mentioned in this Act that he has passed such examination as the said Society shall from time to time prescribe and that he has served under articles to a professional accountant practising in the United Kingdom, registered or entitled to be registered under this Act, for not less than five years, or, in the case of a graduate of any University in the United Kingdom, for not less than three years, and that he has attained the age of twenty-one years or that he has been in the service of a professional accountant practising in the United Kingdom and registered or entitled to be registered under this Act for not less than years and that he has attained the age of twenty-three years ; in the case of any person not serving articles, who at the passing of this Act may not have completed the final examination of the Society to which he belongs, that person shall be entitled to be registered on passing such final examination within three years of the passing of this Act and to have his name placed on the register as a professional accountant.

4. Each body mentioned in this Act shall retain its own organisation and all persons registered under this Act shall be styled a registered accountant but any person may adopt the particular designation or initials of the Society of which he is a member.

Registration.

5. (1) A register shall be kept by the registrar to be styled the "accountants register" and that register shall contain in one alphabetical list all United Kingdom Accountants, that is to say, all persons who are registered under this Act as having been, at the passing thereof, engaged in the practice of accountancy and all persons who shall, hereafter, be registered under the provisions of this Act.

(2) The Accountants' register shall contain the said lists made out alphabetically according to the surnames and shall state the full names and addresses of the registered persons, the description and date of the qualifications in respect of which they are registered, the body, if any, of which they are members and, subject to the provisions of this Act, shall be in such form as the Council shall from time to time direct.

(3) The Accountants' register shall be deemed to be in proper custody when in the custody of the registrar and shall be of such a public nature as to be admissible as evidence of all matters therein on its mere production from that custody.

(4) The registrar shall cause lists of all persons on the registers to be from time to time and at least once a year printed under his direction and published and sold.

6. The registrar may refuse to register under this Act :—

(1) Any person who has been excluded from membership of any body of accountants in this Act mentioned or referred to ;

(2) Any person who has been suspended from membership of any body of accountants in this Act mentioned or referred to or so long as suspension continues ;

(3) Any person who shall not have passed the qualifying examinations for an accountant ;

(4) Any person who is proved to the satisfaction of the Council of the body of which he is a member, or of the Registrar :—

(*a*) To have been convicted of any crime in or beyond the United Kingdom or to have been declared by any Court of competent jurisdiction in or beyond the United Kingdom to have committed any fraud ;

(*b*) To have been guilty of any act or default discreditable to a professional accountant ;

(*c*) To have been adjudged bankrupt or individually or as a partner to have made an assignment for the benefit of his creditors or to have made any arrangement for the payment of a composition to creditors after the commencement of this Act ;

(*d*) To be following any business or occupation other than that of a professional accountant, or some business which is incident thereto or consistent therewith : Provided that where, at the date of the passing of this Act, the practice of a professional accountant is being carried on in combination with some other business then the provisions of this subsection relative to the following or entering into any other business or occupation shall not apply to a person registered under this Act who continues to carry on that same combined business.

7. The registrar shall remove from the register the name of any person which has been erroneously or fraudulently entered and the name of any person who shall be excluded or suspended from the membership of any of the bodies in this Act mentioned or referred to and the name of any other person (not being a member of any such body) who has been guilty of any offence or misconduct or has committed any act or default which would justify the registrar in refusing to register him under this Act, and the name of any person who has failed to pay within six months after a written demand in that behalf from the registrar or from one of the bodies mentioned in this Act any fee due from him or to them under the provisions of this Act and the name of every deceased person.

8. Any person aggrieved by the removal of his name from the accountants' register or by any refusal or failure to register his name in that register may within three months after the date on which notice is given to him by the registrar that his name has been so removed or within six months after the date on which he applied to be so registered, as the case may be, appeal against the removal or the refusal or failure as the case may be, in manner provided by rules of Court, to the High Court, and on any such appeal the High Court may give any such directions in the manner as they think proper including any directions as to the costs of the appeal and the order of the High Court shall be final and conclusive and not subject to any appeal to any other court.

9. (1) Subject to the provisions of this Act the Council may make regulations :—

(*a*) Generally with respect to the form and keeping of the register and as to the making of entries and erasures thereon and in particular for the registration of the description of persons entitled to be registered by virtue of this Act ; and

(*b*) Prescribing the fee in the case of any person not being a member of any of the bodies mentioned in this Act, not exceeding five pounds in any one year, to be charged in respect of the registration and retention on the register of any such person registered after the commencement of this Act ;

(*c*) Prescribing the amount of contributions which shall be made to the Council by each of the bodies mentioned in this Act in respect of the registration and the retention on the register of all their members at the time of the passing of this Act and for the registration of new members ;

(*d*) Governing the standard of proficiency required for admission to or advancement in any of the bodies mentioned in this Act and making provision for the instruction examination and qualification of persons not being members of any such body ;

(*e*) Laying down rules for the conduct by registered accountants of their professional duties ; and

(*f*) For any other purpose for which regulations are to be made under this Act.

(2) Regulations made by the Council under this Act shall be submitted for the approval of the Privy Council and no such regulations shall have effect until they have been approved by the Privy Council.

10. In disputes arising out of matters of professional etiquette and discipline and in all disputes between one of the members of any of the bodies in this Act mentioned and that body and in all matters of complaint between registered accountants the Council shall hear the person or persons aggrieved and shall come to and give a decision on the matter and such decision shall be final.

11. (i) The Council shall, after paying any expenses of the Council including the salary or remuneration of the registrar and of any other officers of the Council, allocate any money received by them whether by fees or otherwise to purposes connected with the education of accountants or any public purposes connected with accountancy or in the payments of legal or other costs properly incurred in such manner as the Council may determine.

(ii) The Council shall keep accounts of all sums of money received or paid by them under this Act and such accounts shall be audited in the prescribed manner and shall be published annually and laid before both Houses of Parliament in the month of March in every year if Parliament is sitting, or, if Parliament is not then sitting, within one month after the next sitting of Parliament.

12. In this Act unless the context otherwise requires the expression "prescribed" means presented by regulations made under this Act.

13. (1) Prima facie evidence of any regulations made by the Council and approved by the Privy Council may be given in the Courts of Justice and in all legal proceedings whatsoever by a copy purporting to be printed by any printer in pursuance of an authority given by the Privy Council or of a copy or extract purporting to be certified to be true by the Clerk of the Privy Council and prima facie evidence of any other document issued by the Council may be so given by the production of a copy or extract purporting to be certified to be a true copy or extract by the registrar or some other officer of the Council authorised to give a certificate for the purposes of this provision and no proof shall be required of the handwriting or official position or authority of any person certifying in pursuance of this section to the truth of any copy of or extract from any regulations or other document.

(2) A certificate purporting to be a certificate under the hand of the registrar stating that any person is, or was at any date, or is not, or was not at any date duly registered under this Act or entered on any list to be kept by the registrar under this Act or stating that any particulars are or were at any date, or are not, or were not at any date, contained in the accountants' register or any such list as aforesaid, with respect to any person, shall be prima facie evidence in all courts of law of the facts stated in the certificate.

SCHEDULE.

CONSTITUTION AND PROCEEDINGS OF THE COUNCIL.

1. The Board shall consist of members.

2. On its first constitution the Board shall be composed of the following persons namely :—

(*a*) A chairman appointed by the Privy Council.

(*b*) Three persons not being eligible for registration under the Act appointed by the Board of Trade, the Scottish Office, and the Lord Lieutenant of Northern Ireland respectively.

(*c*) Four persons two of whom shall be members of and appointed by the Institute of Chartered Accountants, and two of whom shall be appointed, from among their members, by the Society of Incorporated Accountants and Auditors.

(*d*) "X" persons each one to be a member of and appointed by each of the following bodies.

3. The first members of the Council shall hold office for such term not exceeding three years from the commencement of this Act as the Privy Council may determine.

4. After the expiration of the term of office of the first members of the Council the Council shall be composed of *appointed* members and *elected* members.

Of the "X" appointed members one (who shall be chairman of the Council) shall be appointed by the Privy Council and three who shall not be registered accountants by the Board of Trade the Scottish Office and the Lord Lieutenant of Northern Ireland respectively.

The "X" elected members shall be elected as follows:—

(*a*) "Y" shall be elected by members of the Institute of Chartered Accountants;

(*b*) "Z" shall be elected by the members of the Society of Incorporated Accountants;

(*c*) "Y" shall be elected by the members of the other bodies mentioned in this Act; and

(*d*) "Z" shall be elected by registered accountants not being members of any of the bodies mentioned in this Act:

Provided that His Majesty may at any time after the expiration of twenty-two years from the commencement of this Act by Order in Council direct that paragraph (*d*) of the foregoing provision shall cease to have effect.

An Order in Council made under this paragraph shall take effect as from the date next after the Order is made on which all the members of the Council vacate office.

5. Any members of the Council other than the first members thereof shall hold office for a term of five years.

6. If the place of a member of the Council becomes vacant before the expiration of his term of office whether by death resignation or otherwise, the vacancy shall be filled by appointment or election by the body or person by whom the member was appointed or elected, and any person appointed or elected to fill a casual vacancy shall hold office so long only as the member in whose place he is appointed or elected would have held office:

Provided that where the unexpired period of the term of office of the vacating member is less than one year, the vacancy shall not be filled.

7. Any member ceasing to be a member of the Council shall be eligible for re-appointment or re-election.

8. The powers of the Council may be exercised notwithstanding any vacancy on the Council.

9. The Council may make rules:—

(*a*) For regulating the proceedings (including quorum) of the Council;

(*b*) For enabling the Council to constitute committees;

(*c*) For authorising the delegation to committees of any of the powers of the Council and for regulating the proceedings (including quorum) of committees; and

(*d*) For regulating the manner in which the elected members of the Council are to be elected.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

FIFTH DAY.

(Morning Session.)

LONDON:
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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERICK EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE
7th February, 1930.

FIFTH DAY.

Thursday, 1st May, 1930.

Morning Session.

PRESENT:

The Right Honourable Viscount GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

Mr. HAROLD BELLMAN, M.B.E.
Mr. F. H. E. BRANSON.
Mr. J. WALKER CLARK, C.B.E., J.P.
Mr. KENNETH LEE.
Mr. G. J. SCOTT, J.P.
Mr. J. J. WILLS.
Mr. F. A. GRIFFITHS, M.C. (*Secretary*).

Mr. Robert Dick Rainie, C.A. (*Member of Council*) and Mr. Laurence Bruce Bell (*Secretary*), representing the Society of Accountants in Edinburgh, called.

The Committee had before them the following Memorandum by Council of the Society of Accountants in Edinburgh :—

MEMORANDUM No. 20.

Scotland the birthplace of the profession.

1. Mr. Richard Brown, in his "History of Accounting and Accountants" states that it is not unfitting that when we come to deal with the modern professional accountant Scotland should occupy the place of priority. It is there that the Chartered Accountant originated, and in Scotland we find the oldest existing Societies of public accountants.

2. The first known professional accountant in Scotland was George Watson (1645–1723), who founded George Watson's Hospital, which in more recent times has been further developed by establishing George Watson's College for the education of boys and the Edinburgh Ladies' College for the education of girls.

3. It may be interesting to record the following extract from a letter written by Sir Walter Scott and dated 23rd July, 1820, from Abbotsford, showing the position occupied by the accounting profession in Edinburgh at that time. The subject of the letter was the advancement in life of a nephew of the author :—

"If my nephew is steady, cautious, fond of a sedentary life and quiet pursuits, and at the same time a proficient in arithmetic, and with a

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disposition towards the prosecution of its highest branches, he cannot follow a better line than that of an accountant. It is highly respectable, and is one in which, with attention and skill, aided by such opportunities as I may be able to procure for him, he must ultimately succeed."

The first Chartered Society of Accountants.

4. The first steps towards the formation of a Society of Accountants in Edinburgh were taken at a meeting of gentlemen who were practising as accountants, held on the 20th January, 1853. At this meeting it was resolved to form a Society of those gentlemen who were carrying on exclusively the business of Accountants in Edinburgh. A Constitution and Rules were subsequently prepared and approved, and on 4th February the Institute of Accountants in Edinburgh was finally formed and officials were appointed. Mr. James Brown being President.

5. At the Annual Meeting held in February, 1854, the President and Council reported that in their opinion the time had arrived when an application should be made for incorporation by Royal Charter. This was unanimously approved of by the meeting, and the Council were empowered to take the preliminary steps. A Petition to H.M. Queen Victoria was prepared. It stated :—

> That the profession of Accountants, to which the Petitioners belong, is of long standing and great respectability, and has of late years grown into very considerable importance: That the business of Accountant, as practised in Edinburgh, is varied and extensive, embracing all matters of account, and requiring for its proper execution, not merely thorough knowledge of those departments of business which fall within the province of the Actuary, but an intimate acquaintance with the general principles of law, particularly of the law of Scotland; and more especially with those branches of it which have relation to the law of merchant, to insolvency and bankruptcy, and to all rights connected with property: That in the extrication of those numerous suits before the Court of Session, which involve directly and indirectly matters of accounting, an Accountant is almost invariably employed by the Court to aid in eliciting the trust: That such investigations are manifestly quite unsuited to such a tribunal as a Jury, yet cannot be prosecuted by the Court itself without professional assistance on which it may rely, and the Accountant, to whom in any case of this description a remit is made by the Court, performs in substance all the more material functions which the Petitioners understand to be performed in England by the Masters in Chancery: That Accountants are also largely employed in Judicial Remits, in cases which are peculiar to the practice in Scotland, as, for instance, in Rankings and Sales, in processes of Count and Reckoning, Multiplepoinding, and others of a similar description: That they are also most commonly selected to be Trustees on sequestrated Estates and under Voluntary Trusts, and in these capacities they have duties to perform, not only of the highest responsibility, and involving large pecuniary interests, but which require, in those who undertake them, great experience in business, very considerable knowledge of law, and other qualifications which can only be attained by a liberal education.

6. In June, 1854, a draft Charter was adjusted which it was found necessary to present along with the Petition. The Royal Warrant for the Incorporation of the Institute under the name of The Society of Accountants in Edinburgh was given at Her Majesty's Court at St. James's on the 23rd day of October, 1854, and signed by Lord Palmerston by Her Majesty's command.

7. Charters on similar lines were granted to the Institute of Accountants and Actuaries in Glasgow and to the Society of Accountants in Aberdeen in 1855 and 1867 respectively.

The growth of the Scottish C.A. Societies.

8. The Society of Accountants in Edinburgh started with 62 Members. It has now a membership of 952, all of whom have served apprenticeships and passed the Society's examinations. Fifty-eight new members were admitted in 1928 and sixty-nine in 1929. There are 377 apprentices on the Society's register.

9. At 31st December, 1929, the total membership of the three Scottish Societies of Chartered Accountants was 2,927. Of these rather more than one-half are in Scotland and rather more than one-quarter in England and Wales, while the remainder are in British possessions abroad or in foreign countries. The total number of apprentices was 1,154.

Official Designation.

10. Directly after its formation the Edinburgh Society deliberated upon a distinctive title for its members, and resolved to adopt the name of "Chartered Accountant," indicated by the letters "C.A." The same course was followed by the Glasgow Institute as well as by the Aberdeen Society when they were incorporated later. It took some little time before the new name became familiar to the public, but before long it acquired a definite signification throughout Scotland; and when the designation "Chartered Accountant" was also adopted by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants in Ireland, on their incorporation by Royal Charter in 1880 and 1888 respectively, the title became a recognised term throughout the United Kingdom, and, indeed, throughout the world.

11. The English and Irish Chartered bodies have adopted other abbreviate letters—viz., "A.C.A." and "F.C.A." Accordingly the members of the three Scottish Societies have from the granting of their Charters until the present time enjoyed the sole privilege of using the letters "C.A." after their names, and, when challenged, this right has been upheld by the Court of Session in Scotland.

Training and Education.

12. The Charter of the Society of Accountants in Edinburgh ordains "that the Corporation shall have power from time to time and in such manner as may be fixed by the bye-laws, rules, and regulations, to constitute and appoint a Committee of Examinators for the purpose of regulating and conducting such examinations of entrants and others as the Corporation may from time to time direct, and in such manner as they may appoint, in furtherance of the objects of the Society; and that the course of education to be pursued, and the amount of general and professional acquirements to be exacted from entrants, shall be such as the Corporation shall from time to time fix."

13. The Charters of the other two Societies contain similar provisions.

14. All three Societies, accordingly, immediately after their incorporation made suitable arrangements for the examination of candidates for admission.

15. The Societies from the first attached special importance to the practical experience obtained by service in an Accountant's office, and, throughout their existence, they have insisted upon this as an essential qualification for admission.

16. All three Societies have thus, from their inception, maintained a high standard of training and education. But in the earlier period of their history their requirements as regards apprenticeship and examination were not in all respects the same.

17. As time went on it became more and more clear that it was desirable that the words "Scottish Chartered Accountant" should connote a certain definite standard of attainment in all persons entitled so to describe themselves. Accordingly, in 1893, the three Societies entered into an Agreement under which they bound themselves to incorporate in their

Rules uniform provisions for qualification for and admission to membership, and for the establishment of a General Examining Board for Scotland having power to regulate and conduct examinations of applicants for admission. The Board consists of five members of the Edinburgh Society, five members of the Glasgow Institute, and two members of the Aberdeen Society, together with the Presidents of the three Societies, who are members *ex officio*.

18. The Agreement of 1893 is still in force, but modifications have been agreed upon from time to time, and have been made effective by concurrent alteration of the Rules of the several Societies. The conditions of admission as at present existing may be summarised as follows :—

19. An apprenticeship must be served under regular deed of indenture with a Chartered Accountant in public practice in Great Britain.

20. The period of service is normally five years, but a reduction is granted to graduates of certain Universities or in respect of previous service. In no case may the period of service under indenture be less than three years.

21. The master is bound under the indenture to instruct the apprentice in his future calling. This obligation is seriously regarded by the Members, who endeavour personally and through the senior members of their staffs to make this instruction as efficacious as possible, while attention is given to the importance of affording to the apprentice the opportunity of obtaining as varied an experience as is practicable.

22. The General Examining Board formerly conducted a preliminary examination to ensure that candidates had attained a suitable standard of general education before commencing apprenticeship. This examination was abolished a number of years ago, and candidates are now required to have passed in certain subjects at the Preliminary Examination for Graduation in Arts or Science at the Scottish Universities, or at equivalent public examinations. The Syllabus of Examinations is referred to for particulars, but it may be stated generally that the standard of qualification is practically the same as the preliminary qualification for a Degree in Arts or Science, except that a pass in Mathematics on the Higher Standard is insisted upon in all cases.

23. Candidates are also required during apprenticeship to pass an Intermediate Examination in Arithmetic and Elementary Statistics, Actuarial Science including the Elements of Life Contingencies, Book-keeping and Accounting, &c.

24. The Final Examination is in two divisions, whereof the first—covering Economics and Law—may be taken prior to the completion of apprenticeship. The second division, consisting entirely of professional subjects, can only be taken after completion of apprenticeship.

25. Apprentices are also required to attend certain classes and to produce evidence that they have duly performed the work of these classes. In the case of Edinburgh students the compulsory classes are :—

(*a*) The Scots Law Class *or* the Mercantile Law Class at Edinburgh University;

(*b*) The Class on Accounting and Business Method at Edinburgh University.

26. While the foregoing are the conditions to which all three Societies have bound themselves to conform, each Society provides special additional facilities for the education of its apprentices. The additional facilities in Edinburgh are as follows :—

27. The Society has its own Hall, Rooms, and Library, which are available for apprentices as well as members. The Library is of considerable importance. In addition to a large and valuable collection of books on accounting of historical interest, it contains a very complete collection of modern books on book-keeping, accounting, and cognate subjects, while there is also an adequate provision of books on economics, law, actuarial science, etc. Full advantage is taken of the Library by both apprentices and members.

28. The Council of the Society arranges for classes being conducted in the Society's Rooms for the benefit of apprentices. These classes, which are supplementary to the compulsory classes at the University, cover Arithmetic, Algebra, and Actuarial Science, Professional Knowledge for junior students, and more advanced classes on Investigations, Insolvencies, and Reports, and on the Law and Practice of Income Tax and Sur-Tax. The Council also recommends attendance at classes on Book-keeping, the Principles of Accounting, Cost Accounts and Business Statistics, and Economic Science at the Heriot-Watt College—a well-known Edinburgh institution making special provision for students who have already entered on their chosen careers. All of these latter classes, except the class on Economics, are conducted by members of the Society, and the Council co-operates closely with the College authorities, with a view to making the classes as suitable as possible for Chartered Accountant students.

29. The Council appoints a Director of Studies who advises apprentices as to the lines on which to pursue their studies, and in particular assists them in deciding at what stage and in what order to take the various classes which they are required or recommended to attend as indicated above.

30. In 1886, the Chartered Accountants Students' Society of Edinburgh was constituted, the objects of the Society being the advancement of its members in the knowledge of the theory and practice of the profession of accountancy, the discussion of matters relating to the interests thereof, and the social intercourse of its members. Particular attention is given to subjects of interest to apprentices and to the younger members of the Society. The Society has been carried on from its inception to the present time to the advantage of the senior and junior members of the parent Society as well as of apprentices. Its "Transactions." which are published jointly with those of the Glasgow Chartered Accountants Students' Society, include numerous addresses by eminent authorities, which constitute a valuable addition to the literature of the profession.

31. "The Accountants' Magazine" a monthly publication appealing especially to the accountancy profession, is managed and edited by Scottish Chartered Accountants, and draws its subscribers mainly from the membership of the three Chartered Accountant Societies of Scotland.

The machinery of co-operation.

32. The close co-operation of the three Scottish Societies of Chartered Accountants is not limited to the arrangements for the training and education of candidates for admission which are the subject of the Agreement of 1893 referred to above.

33. In 1915 a Joint-Committee of the Councils of the three Societies was constituted, consisting of four members of the Edinburgh Society, four members of the Glasgow Institute, and two members of the Society of Accountants in Aberdeen. Quite recently the Joint-Committee has been empowered to co-opt a member of the Association of Scottish Chartered Accountants in London—a body formed over twenty years ago to watch over the interests of such of the members of the three Scottish Societies as are established in London. This Committee was formed with the general objects of furthering and protecting the mutual interests of the Chartered Accountant Societies in Scotland, of maintaining the high standard of the profession, of considering all questions relating to the profession that may come under their notice and reporting to the Councils of the several Societies thereon, and of encouraging cordial intercourse

among the members of these Societies and members of the profession in other countries. Its duties are more particularly defined in the Agreement between the Councils of the several Societies as follows:—

(*a*) To consider and, if they deem it expedient, to report to the Councils of the several Societies upon all Bills in Parliament or other public proceedings relating to or affecting the profession of the Chartered Accountants of Scotland; (*b*) on remit or instructions from the Councils of the several Societies to draw up and, if specially authorised, to submit Petitions to Parliament or Representations to be made there or elsewhere relating to any matters affecting the profession; (*c*) to consider any questions of professional etiquette or misconduct of Members of any of the three Societies, and if they deem it expedient to report thereon to the Councils of the several Societies; (*d*) to consider the Rules of the several Societies and the fees payable thereunder and any changes in the Rules which may be from time to time proposed, with the view of attaining and preserving uniformity in the Rules of the three Societies; (*e*) to take charge of the publication of the Annual Official Directory of Scottish C.A.'s and of any other joint publications; (*f*) to consider and report to the Councils of the several Societies upon all such matters affecting the interests of the profession or of the respective Societies which may be referred to them by any of the Societies or their respective Councils; (*g*) on remit or instructions from the Councils of the several Societies to institute, conduct, and follow out to decree all actions and other proceedings at law at the instance and in the names of the several Societies jointly, and to defend such actions and other proceedings that may be raised against the several Societies and to conduct in the names and on behalf of the several Societies jointly all other proceedings in Parliament or before the Privy Council and all other proceedings, business, or matters in which the several Societies have mutual interest; (*h*) generally to consider anything which may be in the interests of the profession.

34. The machinery of co-operation created by the establishment of the General Examining Board and the Joint-Committee of Councils has proved so efficacious and has worked so smoothly that the three Societies may be regarded as practically affiliated corporations conferring an identical qualification and acting practically as one body as regards all general questions affecting the profession, while each Society retains complete automony in domestic matters and complete control of its own property and funds.

Fees and contributions payable.

35. The Departmental Committee will no doubt desire to be informed as to the expense of qualifying as a Chartered Accountant in Scotland.

36. A youth apprenticed to a Member of the Edinburgh Society is required to pay to his master on the execution of his indenture a uniform apprentice fee of £105. As already indicated, the period of service under indenture is regarded as a preliminary period of training necessary before the candidate can expect to become self-supporting, and no provision is made in the indenture for payment for the apprentice's services. Notwithstanding this, however, it is customary to pay a nominal salary throughout the apprenticeship. On the recording of his Indenture in the books of the Society, the apprentice must pay a fee of £10 10*s.*, which entitles him to the use of the Society's library and rooms during the whole period of his apprenticeship. The fees for the two compulsory classes at Edinburgh University are £8 8*s.* or £9 9*s.* each. The fees for the other classes are nominal and the examination fees are of small amount. On admission the candidate must make a single payment of £52 10*s.* to the Society, no annual subscription being levied after admission. In addition, he must pay through the Society at the time of admission the sum of £52 10*s.* to the Edinburgh Chartered Accountants' Endowment and Annuity Fund, and he must pay an annual premium of £5 5*s.* to that Fund until he attains the age of sixty-five or until his death. In virtue of these payments he is entitled to an endowment insurance, a deferred annuity, or a widow's annuity as he may elect. Membership of this Fund is greatly valued, as, owing to the favourable mortality experience (although there is no medical examination) and the low cost of management, the Fund has been remarkably successful, and the benefits (which are increased by bonuses from time to time) are regarded as highly satisfactory.

37. The fees payable by candidates for admission to the Glasgow Institute and the Aberdeen Society are less than in the case of the Edinburgh Society.

38. It is believed that the cost of qualifying as a Chartered Accountant of Scotland is less than in the case of the majority, if not all, of the other learned professions. That this cost has not operated unduly to restrict the numbers joining the profession is evidenced by the fact that the output of Chartered Accountants is much more than sufficient to meet the needs of Scotland, about 45 per cent. of the members having found occupation outside Scotland.

The recognition accorded to the Chartered Accountant in Scotland.

39. It is believed that the information given above is sufficient to show that the training and education of Scottish Chartered Accountants is adequate to prepare them for the important duties they have to perform, and that their organisation is such as to ensure a high standard of professional conduct. That these facts are well recognised in Scotland is evidenced by the extent to which Chartered Accountants are employed by those who have need of accounting services.

40. The Courts in Scotland have always recognised the three Societies of Chartered Accountants; and practically all remits and references for the purpose of audit or investigation of accounts have been entrusted by them to members of these Societies. The offices of *Curators Bonis*, Judicial Factors, Official Liquidators, and other Court appointments are also generally held by Chartered Accountants. Trustees in Bankruptcy and Liquidators of Public and Private Companies in the majority of cases are Chartered Accountants. The audits of public Companies, including Banks, Insurance Companies, and other important financial concerns, and the large industrial trading and manufacturing companies are almost exclusively in the hands of Chartered Accountants. It is more difficult to speak with certainty of private companies and private firms, but it is believed that the proportion of these which are audited by Chartered Accountants is not materially less. The audits of the various Local Authorities are almost entirely in the hands of Chartered Accountants. The same remarks apply as regards the audit of Charitable, Educational, and other bodies and of Testamentary and other Trusts. The preparation of Income Tax Returns and Claims and the adjustment of liability, especially as regards companies and business firms, are also very largely in the hands of Chartered Accountants.

41. In fact, it is believed that it may be safely affirmed that at least 95 per cent. of the accountancy work in Scotland is carried on by Chartered Accountants.

42. These statements, which are based on the observations of long experience, are amply confirmed by statistics where statistics are available. In this connection certain information has been collected for the purpose of the present enquiry. An analysis has been made of the auditorships of all companies in Scotland included in the Stock Exchange Official Intelligence. This analysis shows the following classification:—

No. of Companies.	Audited by.
576	Chartered Accountants or firms of which some of the partners are Chartered Accountants.
4	Incorporated Accountants.
6	Auditors whose qualifications, if any, have not been ascertained.
586	

It is of interest to note that the fifteen Accountants who audit the eight Scottish Banks are all Chartered Accountants. Of the 45 Financial, Land, and Investment Companies, 73 Financial Trusts, and 33 Insurance Companies included in the above analysis, all but two are audited by Chartered Accountants or by firms of which some of the partners are Chartered Accountants.

43. A Statement is annexed* which shows that the great majority of Local Government auditorships are held by Chartered Accountants.

Is registration desirable.

44. The only valid argument for registration is dependent on proof that there is a number of persons holding themselves out as accountants who are not in fact qualified to act as accountants; that such persons obtain the patronage of the public; that the public suffer thereby; and that it suffers to such an extent as to justify the price which must be paid for registration.

45. That price consists mainly in the fact that, if registration is introduced, all persons who can claim, with any show of reason, that they are carrying on business as professional accountants will require to be admitted to the Register, because it is hardly conceivable that Parliament will consent to take the bread out of any man's mouth. Accordingly, it will not be possible to refuse to admit any person who is in practice, however poorly qualified he may be to perform the duties of a professional accountant. The result will be that a number of persons who have served no apprenticeship, have passed no examinations, and whose experience as accountants is more or less negligible, will be admitted to the Register, They will thus acquire the status which registration confers, and will be in a position to hold themselves out as on an equality with those who have undergone a long and arduous training. Such a state of matters would not be in the interests of the public. The unqualified persons thus admitted would benefit from the resulting confusion, and would be in a position to extend their practices to the disadvantage of the less discriminating section of the public, and of the well-qualified members of the profession—especially the younger members. Once the period within which such unqualified persons can be admitted has expired, suitable conditions as to future admissions could be imposed. But it could only be after the lapse of a generation, when the Register has been purged by the death or retirement of such persons, that such advantages as registration affords would be enjoyed by the public.

46. It is submitted that any evil which at present exists through the unrestricted practising of unqualified persons in Scotland is negligible and can by no means justify the incurring of the disadvantages which, as has been indicated, are involved in registration. It has been shown that practically all the accounting work in Scotland is entrusted to Chartered Accountants, not as a result of any artificial monopoly, but simply because the public have learned to discriminate, and when they have accounting work to be done turn naturally to a Chartered Accountant. This position has been gradually built up over the period of three-quarters of a century which has elapsed since the earlier Royal Charters were granted. In fact the benefits of registration have already been substantially obtained, and, if registration could ever have been usefully introduced in Scotland, that time is now past.

47. It should be kept in view that the accountancy profession draws its clientèle almost entirely from a section of the public who are well able to see that they get proper service for the fees they pay, always provided that the issue is not confused by conferring the dignity of a State-granted title upon qualified and unqualified alike. In this respect the accountancy profession differs fundamentally from the medical and dental professions—and in a lesser degree from the legal profession—which serve all classes of the community.

48. It may be pointed out that the difficulties of introducing and operating a system of registration are greater in the case of the accountancy profession than in the case of the professions already registered. "Accountancy" must be defined either by Act of Parliament or later by the Courts. Enough has been said as to the variety of an accountant's functions to indicate the difficulty of formulating such a definition. This difficulty, it is believed, did not arise in the case of the profession of dentistry. In the professions of medicine and veterinary science, and still more in law, difficulties of definition must have presented themselves when registration was introduced. But it is submitted that the difficulties are much greater in the case of accountancy than in that of any of these other professions.

49. Further—assuming that "Accountancy" can be satisfactorily defined—to what extent must a person engage in the various occupations covered by "Accountancy" so as to make it clear that he is "practising" the profession Is the Income Tax expert, who devotes his energies solely to Income Tax work, a "practising" accountant? Is the solicitor who undertakes a certain amount of accountancy work—and this is commonly done in remote country districts—in practice as an accountant? Is the bank clerk who in his spare time writes up the books and prepares the Income Tax returns of a few small tradesmen, or is the layman who accepts office as a Trustee in bankruptcy, engaged in the practice of accountancy? These activities are useful enough in their way, and it seems to be more than doubtful if it is in the public interest to interfere with them.

50. It will no doubt be said that it has been found worth while to adopt registration in other countries. But in no other country is the profession so highly organised as in Scotland. In no other country has the public to the same extent been educated by experience and tradition to discriminate between the qualified and the unqualified. In no other country is so large a proportion of accountancy work in the hands of those who are best equipped to carry it out.

51. On the whole, it may be said that the profession is in a very satisfactory position in Scotland; that there is little evidence of any desire on the part of the profession for registration; and that the public, or that part of the public which takes any interest in accountancy matters, is absolutely satisfied with the services it receives from the profession as at present organised.

52. It is accordingly submitted that, as far as Scotland is concerned, it is not desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law.

Note.—The opinion which has been expressed against the desirability of registration is subject to the qualification that if resigtration is introduced in England, it may be desirable to introduce it in Scotland also. It may well be that the objections to registration—serious as they are—are of less weight than the objections to establishing an artificial barrier against Scottish accountants practising in England, or against English accountants practising in Scotland. It is

* Appendix Q.

respectfully submitted, however, that if registration be adopted in any form the exclusive right, as confirmed by the Courts, of Scottish Chartered Accountants to use the letters "C.A." should be preserved.

The following are produced herewith :—(1) Charter of Incorporation, Rules and Regulations and Bye-Laws of the Society of Accountants in Edinburgh; (2) Syllabus of Examinations conducted by the General Examining Board of the Chartered Accountants of Scotland; (3) Papers set by the Scottish Chartered Accountants' General Examining Board, December, 1929; and (4) Prospectus of Classes for Apprentices serving with members of the Society of Accountants in Edinburgh.*

March, 1930.

* Not reproduced.

MR. ROBERT DICK RAINIE AND MR. LAURENCE BRUCE BELL examined.

(*Mr. Rainie*) May I offer an apology for the absence of our President who is still abroad. May I give you my own credentials for the benefit of the Committee. I am Mr. Robert Dick Rainie admitted to the Society in 1885 after five years' apprenticeship and passing the qualifying examinations. I was a Member of the Council of the Society for four years from 1907 to 1911, and I was called back to the Council in 1929–30. I have been in continuous practice for 41 years. I am senior partner of the firm of Messrs. Brewis Rainie and Boyd, C.A., and I would like to give my experience which is typical of the work done by accountants generally in the City of Edinburgh and which is rather wider than the English experience.

1206. (*Chairman*): We have your Memorandum of Evidence before us.—I think I have got something more to add to that.

1207. Would you like to add to it verbally now?—May I give my personal experience which is typical of the work done by Chartered Accountants in Scotland. I have it in alphabetical order :—Arbiter in commercial references.—Auditor of limited public and private companies and associations and clubs, and also testamentary trusts, school boards, and parish councils. For several years I had charge of the audit of the accounts of the City of Edinburgh under the supervision of the then Accountant Auditor. —Curator Bonis appointed by the Courts to administer the estates of persons incapacitated and minors.—Framing accounts of trusts and trust estates, etc.—Judicial factor appointed by the Courts to administer trusts and other estates—I believe the English term is "Receiver in Chancery."—Inland Revenue Tax computations and adjustments.—Investigations for certificates of profits for flotation of private and public companies.—Liquidator in liquidations both voluntary and under supervision of the Courts, and also in dissolution of private firms.—Preparing balance sheets and profit and loss accounts of private firms and companies.—Remits from Court of Session in questions of accountancy.—Secretary of limited companies.—Skilled witness employed to give evidence in actions in Scottish Courts; in the Chancery Court in London; and in commercial references.—Trustee on Sequestrated Estates and on voluntary trusts.—And last of all I am Session Clerk and Treasurer for a Parish Church. Now that is typical of the experience of a Chartered Accountant in the City of Edinburgh.

Perhaps I might save the time of the Committee if I were just to tell them in a nutshell what our views are. The Chartered Societies, which have to a great extent made the profession of accounting what it is, have a high reputation amongst the business community, and the designation of Chartered Accountant is recognised in all parts of the United Kingdom as a hall-mark of accounting efficiency and business integrity. It is accordingly in the interests of the business public that this high reputation should be preserved, and it is the Societies' great desire to maintain the high standard of the profession in Scotland and elsewhere in the higher branches of accounting. The other side of the picture is the suggested danger that might arise by the continued practice of accountancy by untrained and unqualified people. That is the view of my Council in a nutshell. Of course this question is not a new one and there have been about ten different Bills started. I have a Memorandum here showing the fate of them, if it is of interest to the Committee.

1208. I think we have had some acquaintance with them.—I do not know if you have had them all.

1209. Perhaps your Memorandum might be handed in.—I could just read the list now. The 1891 Bill passed the House of Lords but failed to pass the Commons; the Bill of 1893 did not reach a Second Reading; the Bill of 1896 also did not reach a Second Reading; in 1909, a Bill received Second Reading in the House of Lords, but its further consideration was adjourned *sine die*. The Bill of 1910 passed Second Reading in the House of Lords, but was blocked in the House of Commons; and the Bill introduced in 1912 made no progress. A further Bill was under consideration in 1913, but was never introduced. The question therefore is not a new one. Now if I can be of assistance to the Committee I will be glad to answer any questions they may desire to put to me.

1210. In paragraph **8** of your Memorandum you say that your membership is 952?—Yes.

1211. How many of those would be in practice on their own account?—About 180 in Edinburgh.

1212. In paragraph **15** you tell us that the Scottish Societies have throughout their existence insisted upon practical experience obtained by service in an accountant's office as an essential qualification?—They consider that vital.

1213. You mean as an apprentice to a Member of one of the Scottish Societies?—Yes.

1214. Are there other ways in which that experience could be obtained?—They could not get into the Chartered Societies without serving an apprenticeship. Five years is the ordinary time. In the case of a graduate the period is reduced at present to three years, but it will be increased to four years shortly.

1215. You say later on that the obligation to instruct apprentices is seriously regarded by your Members who endeavour personally and through the senior members of their staffs to make this instruction as efficacious as possible; would the senior members of the staff be Chartered Accountants?—Some are, and some not.

1216. In paragraph **39** you mention the high standard of professional conduct and I see from your Bye-laws that Members may be deprived of membership if they are found guilty of any unprofessional conduct. It would be possible, I presume, for such Members to continue in practice provided that they did not call themselves Chartered Accountants?—Yes, it would. We could not prevent that.

1217. That would be very undesirable you think?—Very undesirable.

1218. You say in paragraph **40** that the Courts in Scotland have always recognised the three Societies of Chartered Accountants?—Yes.

1219. Is this recognition in any way limited to particular bodies?—No, a Judge can appoint any accountant he likes if he wishes to remit for any assistance, but Members of the Chartered Societies are generally appointed.

1220. In the middle of the same paragraph it is stated that the audits of the large industrial trading and manufacturing companies are almost exclusively in the hands of Chartered Accountants?—That is so.

1221. This would not apply to the smaller firms I take it?—Yes, the smaller firms are auditors of companies.

1222. I meant the smaller traders.—They know what a Chartered Accountant is. There is no obligation upon them to employ one. According to the "Stock Exchange Official Intelligence" there are 586 companies in Scotland and 576 of these companies have Members of the Chartered Societies as auditors.

1223. There are quite small firms who would have their books audited, small trading concerns, etc. What kind of auditor would they employ?—I really do not know. In Scotland the Chartered Accountants are supreme in a way. We are not bothered with the smaller person.

1224. No, but I want on behalf of the smaller person to find out whom he would employ.—The smaller trader should employ a Chartered Accountant.

1225. But does he?—That I cannot tell. He knows where to go if he wishes to have his accounts properly audited, if I may put it that way.

1226. Yes. We have just agreed that a man who for unprofessional conduct is expelled from a Chartered Society may continue to practise. He may then become the auditor for a small trader who is unaware of his past history?—Certainly. I do not suppose the small trader would know it. One would not flourish one's expulsion in the papers or advertise it.

1227. Who would appoint the auditors of the various local authorities in Scotland?—The Secretary of State for Scotland, I think.

1228. I see you say in paragraph **40** that the preparation of income tax returns, etc., especially as regards companies and business firms, is largely in the hands of Chartered Accountants. You refer, I take it, to the large business firms. Do you think the small traders and firms suffer at the hands of unqualified or partially qualified accountants in this respect?—I have heard no complaints at all. I do not think there are many unqualified people in Scotland.

1229. You are suggesting that all the people who prepare these returns are qualified?—No, there are people called income tax experts. They are quite useful in their way, because they ought to know their business, and some of the small traders may go to them, but they do not regard them as accountants.

1230. Then if, as you suggest, the bulk of accountancy work in Scotland is done by Chartered Accountants, you would not suggest that the Members of the Chartered Societies need any protection from unqualified persons?—No, not in Scotland. We are quite pleased with the situation.

1231. And you would not agree that there is an insufficient number of Chartered Accountants to meet the demands of the public?—No, the reverse is the case. There are too many of them. There are a great many of them in London and I think they are quite appreciated in London from what I can hear.

1232. Then in paragraph **44** you state that the only valid argument for registration is dependent upon proof of four things. You have given us your full views on the fourth, but I should like to have a clear expression of your views on the others if I may. You think that there is a number of persons holding themselves out as accountants who are not, in fact, qualified to act as accountants?—Yes, if one looks at the Edinburgh Directory. A lot of them, I understand, are clerks engaged in commercial firms.

1233. As regards Scotland, you do not think there are many unqualified people who are employed by the public?—Not in Edinburgh. There may be more in Glasgow. I think you have had the evidence of Mr. Rintoul, of Glasgow, and of Mr. Reid, of Aberdeen. I understand there are more in Glasgow than in Edinburgh.

1234. You suggest in paragraph **46** that practically all the accountancy work in Scotland is done by Chartered Accountants, not as a result of any artificial monopoly but on account of the discrimination of the public?—Yes, the discerning public.

1235. Do you think that the small man is able to discriminate?—He ought to be shrewd enough to know, but I have had very little experience of the small men.

1236. But you have had no complaints?—No, the Council have had no complaints at all.

1237. If we had a Register, would the public regard all men on the Register as of equal competence?—It depends on the designation. I am rather afraid that if they were called Registered Accountants, this Government hall-mark might be grabbed at, and there might be some confusion with the Chartered Accountants later on; "Registered Accountant" is rather a high-sounding Government hall-mark. I would rather have them called "Licensed Auditors" or something of that sort, something quite different.

1238. I see. You find some difficulty in defining accountancy, do you not?—Yes, we have great difficulty. I cannot define it.

1239. It is difficult to say whether income tax experts and the laymen who accept office as trustees in bankruptcy, practise professional accountancy?—It is very difficult to say.

1240. You had some definition of accountancy in mind when you arrived at the conclusion in the last paragraph of your Memorandum that it was not desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a Register?—No! I had in mind people with offices with a brass plate outside who hold themselves out to the public as capable of doing accounting work for fees.

1241. I gather from the Note at the end of the Memorandum that it is the view of your Society that, rather than find Scottish Chartered Accountants prevented from practising in England, they would agree to a Register which in their view would give all persons practising as accountants the same status as Chartered Accountants?—We would not like them to be prevented from practising in London. Might I refer to the Dental Register. Dentists have been registered recently, I understand. Dentistry is a branch of the medical profession now, but the dentists would never put be on the Medical Register, only the Dental Register. I am taking the analogy of the income tax expert and the accountant. The dentist is a dentist and he has to have some knowledge of medicine presumably, but they never put him on the Medical Register. He could not call himself a doctor.

1242. Probably a large number of dentists on the Register have been through the hospitals and have passed through the various stages and have learnt something of medicine?—You mean they would thereby be qualified for the Medical Register; but I am assuming that the dentist has been trained in dentistry alone.

1243. Of course it is easier to give a definition of a dentist?—Yes, I agree.

1244. (*Mr. Bellman*): In paragraph **36** of your Memorandum you refer to apprenticeship fees. I gather from what you tell us there that there is a uniform fee of 100 guineas?—In Edinburgh, yes.

1245. That does not vary at all whatever the standing of the firm?—No, it is regulated by our rules.

1246. Then in addition to that 100 guineas there is a fee of 10 guineas for the recording of the Indenture

in the books of the Society ?—It is not exactly for recording ; the apprentices get the benefit of the use of our Halls and Library and the fee covers that ; it is not purely for registration.

1247. In addition to the 110 guineas the apprentice has to pay 8 guineas or 9 guineas each for the two compulsory classes at Edinburgh University ?—That is so.

1248. And having passed his Final, he has to pay a further fee in two parts which totals 100 guineas ? —£52 10*s.* is a subscription to the Endowment and Annuity Fund.

1249. One half goes to the Annuity Fund ?—Yes, and in addition he has to pay 5 guineas a year to that.

1250. And candidates must join the Society within three years of passing the Final ?—Yes.

1251. Let us assume that a candidate has paid the 100 guineas on entering his Articles, as well as the dues for recording and the fees for compulsory classes, and that he has passed the various examinations, what would be his position if through unforeseen circumstances he is unable to pay the further 100 guineas in two portions for entrance fees ? Could he in those circumstances describe himself as a Chartered Accountant ?—No, he must pay before admission.

1252. So, although he is qualified in every way, if through pecuniary circumstances he cannot find that 100 guineas, he is debarred from practising as a Chartered Accountant ?—That is so, but there have been no such cases in my experience.

1253. It would appear that the Edinburgh Society is probably the most expensive of the Chartered Accountant bodies in England and Scotland ?—That may be so as regards Society fees, alone. It is the oldest society, 76 years old, now.

1254. Is there any method or means of admitting a man to practise, and to the use of the designation "Chartered Accountant," who is unable to pay that 100 guineas at once. Could he spread the payment over a number of years ?—I have heard of no case. I do not know of any difficulty at all.

1255. It would, however, seem that with fees on this high scale, entry to the Edinburgh Society must be restricted to those in fairly comfortable circumstances ?—That is so.

1256. Is there a limit to the number of apprentices that may be taken by Chartered Accountants ?—Not in Edinburgh.

1257. You do not consider it prudent to limit the number of apprentices a Member may take ?—No. If we did that it might be said that we were closing the door to youths coming up.

1258. Could you give us any indication as to the fair average number of apprentices taken by Members of your Society ?—Perhaps about two to a Member.

1259. You think that is a fair average among the Members of the Edinburgh Society ?—There may be more in some cases. I know of one case in which three partners have seven or eight apprentices, but the office is not one of the largest, though it does a fair amount of work.

1260. It is often governed by the number of partners in the firm ?—Yes, we do not take any more than we can adequately train.

1261. (*Mr. Walker Clark*) : By whom are the audits of the Friendly Societies in Edinburgh carried out ?—I am afraid I cannot tell you that.

1262. Many of those Societies are very small and cannot afford to pay high fees ?—If they are lay auditors they are not Members. I have had no experience of Friendly Societies.

1263. I was rather addressing myself to the point that the whole of the audit and accountancy work in Edinburgh was done by Members of the Chartered Society ?—That is so.

1264. I was wondering what became of that class of auditing ?—I am sorry I cannot give you an idea. I have had no experience of Friendly Societies, but I should imagine it would be done by their own members. (*Mr. Bell*) : As regards Friendly Societies, you know the auditing can only be conducted by an auditor appointed by the Treasury.

1265. Not appointed, but recognised ?—Not appointed to a particular appointment but they are put on a rota or panel. I understand that only Members of the Chartered Societies and of the Incorporated Society are put on the panel now and I believe that the majority of those in Edinburgh are Chartered Accountants.

1266. Does the evidence you have given apply solely to Edinburgh or to Scotland generally ?—(*Mr. Rainie*) : Mainly to Scotland. I do not know very much about England. I have, however, just been working in Leeds and Bradford and I was interested in the brass plates I saw in those cities indicating the various classes of accountants in England.

1267. Just now you told the Chairman that you had 952 Members, of whom 180 were in practice in Edinburgh. Are the others in practice in England, or in some other parts of Scotland ?—Most of them are in practice. There are a great many of them in London. The total number in Edinburgh is 390, of whom 180 are in practice.

1268. That is about one-half. What is the other half doing ?—They are spread over London and other parts.

1269. I mean the other half in Edinburgh—Some of them are in public offices. The Accountant of Court is a Chartered Accountant. That is an official office, of course. Some who are fully qualified are assistants in firms and are staying on for additional experience.

1270. It seems a small proportion of the membership actually engaged in the profession ?—Edinburgh is not a very large city, and it is very well provided for in accountancy matters, I think.

1271. I am dealing with the membership ?—It is a very old and respected Society ; it is the father of all the Chartered Societies, and is a Society one is pleased to be a member of.

1272. I am quite sure you are conscious of its virtues and value ?—Oh, yes.

1273. In paragraph **44** of your Memorandum you deal with the valid arguments for registration. Are your arguments against registration applicable to every kind of registration ?—No, if you had a very high class Register with tests equal to our own I do not think we could have any cause to complain.

1274. That is exactly what I wanted to know.—On the question of restriction I do not see how you can take the bread out of a man's mouth.

1275. (*Mr. Kenneth Lee*) : I think you said that if registration was adopted the title used should be "Licensed Auditor" ?—That was only a suggestion, so as to avoid confusion with the designation "Chartered Accountant".

1276. By that I suppose you really have in mind the fact that restriction should be in auditing rather than in the general practice of an accountant ?—Yes, that would be an improvement, special arrangements for that particular work.

1277. If a Register were formed, a man not on the Register could not practice auditing, he could not audit books, but he might be able to do other accountancy work ?—Yes, that is so. Our business is very varied, it is not tied down to auditing, though auditing is a very important branch. There are very many other branches of the work.

1278. Do you think that would be of any value ?—Well, the public would know that these licensed auditors knew something about this particular business, otherwise they would not be licensed. Presumably they would have to qualify by passing some examination.

1279. Yes, but you could not take the bread out of a man's mouth ?—I do not see how you could prevent these people from carrying on their business. They might be doing quite honest work and working according to their lights, but I do not think any of them could pass the Chartered Accountants' Examination. That is our difficulty as to where the distinction comes in.

1280. So those people you would suggest should not be made licensed auditors ?—Not unless they could pass the standard tests.

1281. Then you would be taking the bread out of their mouths ?—Perhaps. *I* would not be taking the bread out of their mouths, it would be a question of the Committee's recommendation and legislation. I do not think Parliament would ever allow the bread to be taken out of a man's mouth so long as the man is conducting his business honestly ; and that has been the difficulty in the past in connection with all these different Bills.

1282. (*Mr. Scott*) : I suppose that you are familiar with the evidence put before the Committee by the other two Chartered Accountant Societies in Scotland ?—Yes, I have had the benefit of reading their evidence.

1283. So that we may regard the position taken up by the Chartered Accountants' Society of Edinburgh as practically the same as the position taken up by the Glasgow and Aberdeen Societies ?—That is so.

1284. And I think you all estimate that about 95 per cent. of the main accountancy work, that is to say in connection chiefly with public companies, is done by Members of the three bodies ?—That is so, so far as we can gather.

1285. May I take it that you have no means of calculating the extent to which in Glasgow, or perhaps in Edinburgh, or indeed the whole of Scotland, parties who are connected with societies other than the Chartered Accountants' Societies, or connected with no society, may be practising in a kind of way as accountants ?—We have no means of knowing. We got this information out of Burdett. We have no means of knowing anything about private companies or private firms.

1286. So that you really have no evidence on that point which is referred to in paragraph **41** of your Memorandum ?—No.

1287. But may I take it that the position as brought out in your Memorandum is that the status of the three Chartered Societies in Scotland is such, and receives such public recognition in practice in Scotland, that the work of other accountants can be regarded as more or less negligible ?—Yes, that is so in Edinburgh and I believe in other parts of Scotland too.

1288. In your argument against registration I think you put it that there would be a danger of registered persons under a Bill receiving some of the prestige of the "C.A." bodies, because the public would not be able to distinguish between Registered Accountants who were C.As. and those who were not ?—Yes, there might be confusion. The Registered Accountant might be looked upon as equal to a Chartered Accountant because he had received a Government hall-mark of efficiency. Unless the Government hall-mark was a first class hall-mark it would be worse than useless and valueless.

1289. You think that any damage suffered by the public at present as a result of engaging unqualified persons would be comparatively small as compared with the damage that might be done to your Societies if registration were adopted ?—That is so ; the prestige of the accountancy profession in the higher branches would be diminished.

1290. Your evidence it seems to me refers almost entirely to Scotland ?—Yes. I have not had much experience of England.

1291. But this has a wider application, and the circumstances in England may be different ?—I quite agree.

1292. Are you aware that there has been a substantial growth in the number of the less well-qualified people in England since the last Bill was before Parliament ?—Yes.

1293. Leaving Scotland on one side for the moment, would you not consider it desirable in some way to prevent the public being put at a disadvantage by these comparatively unqualified people whose numbers are increasing in England ?—Yes, so far as high sounding titles of unqualified members of recently formed Associations go, that is the danger.

1294. In paragraph **45** you suggest that it is inconceivable that Parliament would consent to take the bread out of any man's mouth. Supposing a Register was set up and that all the Members of the C.A. bodies in Scotland were entitled to go on that Register but to continue to call themselves Chartered Accountants as at present ; and similarly the Chartered bodies in England—supposing all Chartered Accountants were entitled under the Registration Bill to go on using their present title, which gives them a certain prestige ; and that the members of other societies, as well as persons not connected with any society, were required to satisfy a National Board that they were qualified by education and practice in accountancy to be on the Register, would you see any objection ?—Is that putting restriction aside ? The question of restriction comes in, because we must get back again to the question of taking the livelihood away from any honest man.

1295. I am going to suggest to you that it might be possible to form a Register and to admit to that Register first the Members of your own Societies and secondly those connected with various other societies which could prove to this National Board that their qualifications were sufficient. Then there would be a very substantial number of persons in England especially who at present are doing in many cases quite useful work, and they would continue that work but they would not be on the Register. There would be no taking the bread out of their mouths in this event. Is there any objection to that ?—I do not think so. Our objection is not so much to being registered, as to the institution of a high-sounding Government title such as "Registered Accountant" which might mislead the public.

1296. But the question here is : are the public in any way suffering at the hands of unqualified persons ? —I should say not in Scotland. I do not know so much about England.

1297. You have not been able to tell us anything very definite as to numbers. Let us assume that the numbers are very large.—I noticed in Leeds and Bradford that these people call themselves accountants and auditors, and I saw "A.I.S.A." following their names. I do not know what that means but it is supposed to be a hall-mark of some sort.

1298. Would it be detrimental to the Chartered bodies in Scotland or in England if a registration scheme under which a certain status or qualification would be required before entry on the Register were adopted. Is there any danger in that to your Societies ?—I do not think so if the test were sufficient.

1299. Such a scheme would seem to entirely remove your apprehensions as regards the prevention of business which is at present carried on?—Yes, of course we had restriction in view, that these smaller people were to be prevented from practising.

1300. I am just suggesting that something in that way might avoid hardships.—If the test were high enough the Chartered Societies would have no right to complain. We do not wish to claim a monopoly.

1301. I have one point on the Note at the end of your Memorandum. Supposing that it is decided to introduce some kind of legislation in England, would you as a body in Edinburgh rather be inclined to be included in the Bill? You are not quite definite. You say: "it may be desirable to introduce it in Scotland also." What is your own personal view? Would you prefer to be included in the Bill?—It all depends on the nature of the registration proposals and we must look after our Members in London; that is the point.

1302. You see this automatic registration of all qualified people would mean that the unqualified people are just simply left. You have the same rule in the Medical profession where you can practise whether you are registered or unregistered, but you must not use certain titles if you are not registered. Could you have that in the Accountancy profession? Would not that be all right? You would prefer, I suppose, to be covered by the Bill? Nobody would be obliged to call himself a Chartered Accountant and it might be desirable to go the length of not allowing anybody to call himself a Registered Accountant. All qualified people might be put on the Register but would have no designation of that kind?—It is the designation we are up against, anything like a Registered Accountant or any other confusing name of that kind with a Government hall-mark.

1303. You would be quite agreeable to be included in a Bill somewhat on those lines?—Yes, speaking for myself. I cannot of course bind the Society. That will be a question for a General Meeting.

1304. (*Chairman*): Would you say, Mr. Bell, that the candidates coming forward and presenting themselves have a high class of intelligence and are fully up to the standard you desire?—(*Mr. Bell*): Yes, certainly, we get a very good class.

1305. I understand from the evidence of Mr. Rainie that he has been largely speaking for Edinburgh. We have had evidence from Edinburgh, Glasgow and Aberdeen, but there are of course other Scotch towns. Are the Members of the three Chartered bodies practising all over Scotland?—Yes, but they are mainly concentrated in Edinburgh, Glasgow, Aberdeen and Dundee. Any town of any size, however is likely to have at least one Chartered Accountant. Obviously an accountant cannot be established except where there is a certain population. He must have a small town at least.

1306. He must have a small town to practise in, but my point is this, in many of the smaller towns there must be a considerable number of small traders who desire the services of someone to do up their books?—Yes.

1307. Is that done by Members of the Chartered Societies or by other accountants?—If there was a Chartered Accountant in this small town you are suggesting, he would probably get most of the work, but a lot of that work is done by people such as bank clerks and others, in their spare time, and we consider that that is useful work. That is one of the difficulties you will meet if you are going to restrict the practice of general accountancy work. You are going to cut out all these people and we think they are doing useful work.

1308. Because there would be many people who would want to have the work done and who are not prepared to pay large fees?—They certainly would not be able to pay for a Chartered Accountant coming from one of the big centres; there are a lot of towns where there are not Chartered Accountants.

1309. And the work is done to some extent by bank clerks and others?—Yes, where there are no Chartered Accountants. I would like to enlarge a little on the point that was put to Mr. Rainie—I think it was Mr. Scott who raised it—as to the work amongst the smaller business firms. Now I think you referred to the figures 95 per cent. as applying to large companies.

1310. (*Mr. Scott*): That is the evidence given to us.—You see we have a list of companies in Burdett and the percentage of companies audited by Chartered Accountants is over 98 per cent.; and if you include Incorporated Accountants there is only 1 per cent. of the work left for the others. We do not suggest that there is the same proportion of qualified people amongst those doing the auditing and preparation of accounts of small firms, but this 95 per cent. is our suggestion for all the accounting work of Scotland. We think 95 per cent. of the whole work is in our hands and for that reason we feel that so far as Scotland is concerned we almost have registration already and do not require anything more. There are one or two points I noted when Mr. Rainie was giving evidence. The question of numbers in practice: our total numbers are 952. Mr. Rainie said there were 180 in practice in Edinburgh. We make no discrimination in our register between the men in practice and not in practice. I took out some statistics, however, and I found that about 180 out of 390 in Edinburgh were in practice. Probably you might take it that about half of the Members are in practice. A Member of the Committee seemed surprised that there were so many not in practice in Edinburgh. The great bulk of those are young Chartered Accountants employed by the Chartered Accountant firms. Edinburgh is a great training ground for Chartered Accountants. It is the practice for a young fellow to remain in an Edinburgh office for a year or two to obtain further experience before going abroad.

1311. (*Chairman*): He gets general experience in accountancy work?—Yes: in my firm, for example, there are four partners and we generally have four young Chartered Accountants working under us. Then there is another point I should not like any misapprehension to arise upon. A Member suggested that our Society was more expensive than any society in England.

1312. (*Mr. Bellman*): In England or Scotland.—In England a fee of 500 guineas is charged sometimes.

1313. But the Committee has been informed that such a fee would be exceptional in the case of the English Institute and that none is compulsory.—Our fee is compulsory but it is limited to 100 guineas. And then the question of the average number of apprentices. The number of apprentices is small compared with our membership, 377 apprentices and 952 Members. A Member in practice in Edinburgh commonly has about two apprentices. That is all I have to say, Sir.

(*The Witnesses withdrew.*)

Mr. THOMAS MAGNAY (*Fellow*) and Mr. LIONEL T. KNIGHT (*Fellow*), representing the British Association of Accountants and Auditors, Limited, called.

The Committee had before them the following Memoranda:—

MEMORANDUM No. 21.

BY MR. THOMAS MAGNAY.

1. I am 53 years of age and am a Fellow of the British Association of Accountants and Auditors, Limited (by Guarantee). I have carried on the practice of an Accountant on my own account during the past ten years. Prior to that time I was Chief Clerk at the County Court at Gateshead-on-Tyne for 25 years. I am Honorary Secretary of the North Eastern Branch of the British Association of Accountants and Auditors, Limited, which position I have held during the last three years.

2. I have been deputed by the British Association of Accountants and Auditors, Limited (by Guarantee), to give evidence on behalf of the Association and in doing so I desire to make it clear that not only am I expressing the considered views of the Association, but also my own personal views. For the purposes of my evidence I have divided the same into three heads compatible with the terms of reference of the Committee of Enquiry. Those heads are as follows:—

(*a*) Whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law;

(*b*) how such register should be established; and

(*c*) how such register should be controlled.

I shall deal with these divisions seriatim.

Whether it is desirable to restrict the practice of Accountancy to persons whose names would be inscribed in a Register established by law.

3. This appears to me to be a self-evident proposition. It should not and cannot be determined in a narrow or restricted way. It must be considered broadly in terms of public need and safeguard.

4. The chief difficulty supposed to follow registration, viz., the acknowledgment of all *practically qualified* Accountants as entitled to registration is only giving public recognition of what in fact already exists.

5. The public—not merely the popular or uninstructed world—but Income Tax authorities, Bankers, Solicitors and business concerns, know the value of such Accountants and not only accept, but recommend them to those requiring their services.

6. If the older Societies claim that only a member of their Society should be allowed to state (not advertise) that he is a qualified Accountant, then the established use and want and the insuperable facts of the present position are against them. The public demand has outstripped the restricted supply. The older Societies have undoubtedly turned out good and competent men but not in sufficient numbers to meet the pressing and in many respects unexpected requirements of complex systems of accountancy in various industries during the last 50 years and the great increase in Income Tax work during and since the War.

7. There are signs that supply has overtaken the demand and the time has arrived to give the authentic stamp to the real gold or, so to speak, stabilise the currency. The Gresham law should not be allowed to apply here.

8. The problem is here and cannot be ignored as if it could solve itself. We cannot start *de novo*. Registration is the only way to overcome the difficulties. It is only the application on a larger scale of what was done when the Chartered Accountant Institute received its Charter.

9. New occasions teach new duties. It can be reasonably argued that a man trained in a small office where he must tackle all kinds of work is better equipped for practice than one who has to rely mainly on reading up the theory, but gets little varied experience. The former has to meet all kinds of difficulties and decide immediately what action he shall take. Instances can be given of Accountants who are now members of the Incorporated Society who learnt their work thoroughly in such small offices and passed all their qualifying examinations whilst thus engaged.

10. The State must not shut out the capable "man of parts" from doing the work he is evidently fitted for because he did not choose his parents and have the cash or the opportunity in his early manhood of joining the profession of accountancy. Nor can the State afford to do so. When all is said and done the only reason for the existence of any Society in any profession and for its recognition by the State, is to get worthy and competent practitioners. It is not for the creation of a monopoly. Registration can and should only be restricted to such persons.

11. Registration would cure many abuses. For instance, it ought not to be possible for moneylenders to put up a sign advertising themselves as Accountants. Or a house agent or man who carries on the sale of business advertising himself as an Accountant. Or an ex-Inspector of Income Tax (presumably on pension) to advertise for business.

How such Register should be established.

12. In the considered opinion of my Association a Bill should be forthwith presented to Parliament and passed into law as the Accountants Act, such Act being framed as nearly as possible *mutatis mutandis* on the lines of the Dentists Act, 1921. Although I would not attempt to set down here the details of such a measure, I shall attempt to set down the considered views of my Association on the main clauses of such an Act. They are as follows:—

(*a*) No person shall unless he is registered under this Act practise or hold himself out whether directly or by implication as practising or as being prepared to practise Accountancy, and any person who acts in contravention of the provisions of this section shall, in respect of each offence, be liable on summary conviction to a fine not exceeding £100. This section shall come into operation on the expiration of one year from the commencement of this Act or on the expiration of such further period not exceeding two years as His Majesty may by Order in Council direct.

(*b*) For the purposes of this Act there shall be established a Board which shall be a body corporate by the name of the Board of Accountancy of the United Kingdom with perpetual succession and a common seal and power to acquire and hold land without licence in mortmain. This section would provide that the provisions with respect to the constitution of the Board should be contained in the schedule to the Act, and would also contain provisions for the appointment of a Registrar, and if necessary, Assistant Registrar.

(*c*) That the Board shall admit to the Accountants Register kept under the Act

(1) Any person who makes an application in that behalf within the interim period and satisfies the Board that he

(i) is of good personal character; and

(ii) was for six years immediately preceding the commencement of the Act engaged in the practice of accountancy or is a member of a body of Accountants incorporated by law before the 1st January, 1927; and

(iii) had attained the age of 25 years before commencement of this Act; and

(2) Any person who makes an application in that behalf within the interim period and satisfies the Board that he

(i) is of good personal character; and

(ii) was for six years immediately preceding the commencement of the Act actively engaged as his principal means of livelihood in accountancy; and

(iii) had attained the age of 25 years before the commencement of this Act.

(3) Any person who makes application in that behalf at any time after the expiration of the interim period and satisfies the Board that he

(i) is of good personal character; and

(ii) has had at least five years experience of the business or practice of accountancy; and

(iii) had attained the age of 21 years before the date of his application; and

(iv) has passed the prescribed examination in accountancy.

This section would also provide that regulations might be made under the Act for prescribing the manner in which applications under that section were to be made and generally for carrying the section into effect.

(*d*) A person registered under the Act—

(1) shall, by virtue of being so registered, be entitled to take and use the description of Accountant;

(2) shall not take or use or affix to or use in connection with his premises, any title or description suggesting or reasonably calculated to suggest that he possesses any professional status or qualification other than the professional status or qualification of an Accountant.

(*e*) A body corporate shall not in any circumstances carry on the business of Accountants or Auditors, and for every contravention of this section such body corporate shall be liable on summary conviction to a fine not exceeding £100 and every Director or Manager thereof shall be liable to a similar penalty.

(*f*) Subject to the provisions of this Act the Board may make regulations—

(1) generally with respect to the form and keeping of the Register and the making of entries and erasures and in particular for the registration of the description of persons entitled to be registered by virtue of this Act; and

(2) with respect to proceedings before the Board in connection with the removal from or restoration to the Register of any name; and

(3) prescribing the fee, not exceeding five pounds, to be charged in respect of the retention on the Register of the name of any person registered after the commencement of this Act in any year subsequent to the first year after the commencement of this Act; and

(4) for the holding and conducting of the prescribed examination in accountancy and all necessary matters in relation thereto; and

(5) for any other purpose of which regulations are to be made under this Act.

The regulations made under this section should be approved by the Privy Council who should inform the Board of any proposed modification and give the Board an opportunity of making observations thereon. Such regulations made and approved should be laid before each House of Parliament in manner laid down by section 7 of the Dentists Act, 1921.

(*g*) A section of the Act should provide for appealing against removal from the Register or the refusal to register and such appeal should be to the High Court of Justice on the lines of section 9 of the Dentists Acts, 1921.

(*h*) Any body of Accountants incorporated by law before the 1st January, 1927, may at any time within the interim period transmit to the Registrar certified lists of the persons who are members of that body stating the places of residence of the persons included in the lists and the Registrar on receipt of such lists and on payment of the registration fee in respect of such person to be registered shall duly register those persons in accordance with regulations made by the Board.

(*j*) The financial clauses of this Act might follow Section 10 of the Dentists Act, 1921, *mutatis mutandis*.

(*k*) In this Act, unless the context otherwise requires—

(1) The expression "prescribed" means prescribed by regulations made under this Act.

(2) The expression "interim period" means the period between the commencement of this Act and the date on which the provisions of this Act prohibiting the practice of accountancy by unregistered persons come into operation or such longer period as the Board may on an application made at any time within two years after the date aforesaid allow in the case of any person as respects whom the Board are satisfied that there were valid reasons for the failure to make an application before that date;

(3) For the purposes of this Act the words "practice of accountancy" and "accountancy" shall be deemed to mean the auditing of the books and accounts and the preparation and auditing of final accounts and balance sheets necessary to shew the true and correct state of affairs of any business or undertaking, the certification of the said accounts and balance sheets and the giving of expert advice thereon.

(*l*) The Act should contain sections making provision as to evidence of the regulations of the Board, etc., on the lines laid down in section 15 of the Dentists Acts, 1921.

13. With regard to the members of any body of Accountants incorporated by law before the 1st January, 1927, the British Association of Accountants and Auditors, Limited, whom I represent, contend that their Association has exercised every diligence and precaution in admitting persons to membership and that all such members fulfil the qualifications which I have laid down as precedent to registration.

14. My colleague, Mr. Knight, tenders evidence as to the formation and constitution of the British Association of Accountants and Auditors, Limited.

How such Register should be controlled.

15. It is the considered opinion of my Association that the Register to be thus established by law should be controlled by a Board of Accountancy of the United Kingdom whose constitution and proceedings should be defined in the Schedule to the proposed Accountancy Act. This should follow the lines set forth in the first schedule to the Dentists Act, 1921, *mutatis mutandis*:—

(*a*) The Board should consist of—

(i) A Chairman appointed by the Privy Council;

(ii) three persons not being registered Accountants appointed by the Board of Trade, the Inland Revenue and His Majesty's Treasury respectively;

(iii) one representative appointed by each of the bodies of Accountants incorporated by law before the 1st day of January, 1927, such representatives to be nominated by the Council of such bodies.

(*b*) The first members of the Board should hold office for such a term not exceeding three years from the commencement of the Act as the Privy Council might determine.

(*c*) After the expiration of the term of office of the first members of the Board, the Board should be composed of a limited number of appointed members and a limited number of elected members. The appointed members should consist of representatives of the Privy Council, the Board of Trade, the Inland Revenue and His Majesty's Treasury respectively and the elected representatives should be elected by vote of registered Accountants in practice.

(*d*) Members of the Board other than first members should hold office for a term of five years.

(*e*) Provision should be inserted for filling vacancies on the Board and that any member ceasing to be a member of the Board should be eligible for re-appointment or re-election.

(*f*) The Board should be empowered to act notwithstanding any vacancy and also to make rules—

(i) for regulating the proceedings (including quorum) of the Board; and

(ii) for enabling the Board to constitute Committees; and

(iii) for authorising the delegation to Committees of any of the powers of the Board and for regulating the proceedings (including quorum) of Committees; and

(iv) for regulating the manner in which the elected members of the Board are to be elected.

Provided that the powers of the Board in connection with admission to erasure from and restoration to the Register should be exercised by the Board itself and should not be delegated to any Committee.

MEMORANDUM No. 22.

By MR. LIONEL T. KNIGHT.

1. I am a Fellow of the British Association of Accountants and Auditors, Limited (by Guarantee). I was one of the first members of the Executive Council of that Body and attended the first meeting (after incorporation) on the 26th October, 1923. I have continued to be a member of the Executive Council up to the present date and during that time I have been absent from four meetings only out of a total of thirty three.

2. I was elected Chairman of the Association on the 16th November, 1928 for the year 1928–29 and retired as Chairman under the terms of the Articles of Association on the 16th November, 1929. During my year of Office as Chairman I attended all the nine meetings of the local Council in Manchester.

3. I am a practising Accountant and have been in practice on my own account during the past 15 years. I have also been employed as Senior Clerk with a firm of Chartered Accountants covering a period of 11 years and also been engaged as Accountant in commercial life for a period of five years.

4. I have been deputed by the British Association of Accountants & Auditors, Limited (by Guarantee), to give evidence on behalf of the Association and in doing so I desire to make it clear that not only am I expressing the considered views of the Association, but also my own personal views. For the purposes of my evidence I have divided the same into three heads compatible with the terms of reference of the Committee of Enquiry. Those heads are as follows:—

(*a*) Whether it is desirable to restrict the practice of the profession of Accountancy to persons whose names would be inscribed in a register established by law;

(*b*) How such register should be established; and

(*c*) How such register should be controlled.

I shall deal with these divisions seriatim.

Whether it is desirable to restrict the practice of accountancy to persons whose names would be inscribed in a register established by law.

5. It is the considered opinion of my Association that the registration of Accountants is a real necessity. In dealing with this question, it is necessary to look at the matter from the point of view of (*a*) the Public, and (*b*) the Profession, and I will state my reasons under these heads.

6. *The Public.*—There is a manifest need that the public should be able to rely on the ability of the Accountant employed by them. Leaving out all those who belong to existing Societies and who, therefore, can be taken to be qualified, there is a very much larger number of men who hold themselves out as Accountants. Of these latter a good proportion are, no doubt, fully qualified; there remains a large number who have, virtually, no qualification at all. These constitute a menace to the Public. I can give two illustrations within my own knowledge, and of recent date, though I am precluded from disclosing the source of my information:—

(i) A Balance Sheet signed and certified by an unqualified man had Reserve for Depreciation on the Assets side;

(ii) "Goods purchased for resale" debited to PROFIT & LOSS ACCOUNT and credited per contra to Capital Account. These Accounts also were signed and certified by an unqualified man.

7. *The Profession.*—Qualified Accountants need protection from the by no means small class of unqualified men who, being under no restraint as to advertising and touting, actually call on tradesmen and ask for their work. There are several of these men in my own town and I have had experience of their touting clients whose work I have done for years and offering to take it over at a much reduced fee. I think Registration would stop that sort of thing.

8. The Profession can be divided into two sections—those who belong to existing Societies and must be taken as qualified, and the residue. It must be admitted by even the most prejudiced Member of the Senior Societies that this residue contains a good proportion of good men and Registration should be looked on as a means of sorting them out and giving them the status that their experience merits.

How such register should be established.

9. I confirm the evidence tendered by my Colleague, Mr. Magnay, as representing the considered views of the British Association of Accountants & Auditors, Limited.

10. With regard to the admission on the Register of members of any body of Accountants incorporated by law before the 1st January, 1927, I beg leave to

bring to your notice the constitution and status of the British Association of Accountants & Auditors, Limited.

11. This Association is a Company Limited by Guarantee and not having share Capital under the Companies Acts 1908 to 1917.

12. The Company was registered on the 5th day of September, 1923, under Articles of Association.

13. For the history of its foundation and objects and a full print of its Articles of Association, I would respectfully refer the Committee to the current Year Book of the Association, which I produce herewith.*

14. As will be seen, the Association is governed by a President, Vice Presidents and an Executive Council (17 in number).

15. The Central Association is in the City of Manchester and there are Branches in Birmingham, Bristol, Leeds and Bradford, London and Newcastle-on-Tyne.

16. The qualification required by the Association from its members is set forth in Article 7 of the Articles of Association which reads as follows :—

"Subject to alteration under Article 9 the qualification of members shall be as follows :—

(i) For a Fellow—That he

(*a*) Is not less than 30 years of age ;

(*b*) Has had at least 10 years experience in Accountancy ;

(*c*) Is at the time of his application actively engaged in Accountancy and is in the opinion of the Executive Council qualified to practise in public as an Accountant ; and

(*d*) If required satisfies the Executive Council by examination as to the thoroughness of his knowledge of Accountancy.

(ii) For an Associate—Either that he

(i) (*a*) Is not less than 21 years of age ;

(*b*) Has served his articles as provided by Articles 25–31 ; and

(*c*) Has passed the series of examinations prescribed by the Executive Council. Provided always that the Executive Council may at any time exempt any person otherwise fully qualified from qualification (*b*) and from the preliminary and intermediate examinations comprised in the prescribed series of examinations referred to in qualification (*c*) above, or that he

(ii) (*a*) Is not less than 25 years of age ;

(*b*) Has had at least six years experience in Accountancy ;

(*c*) Is at the time of his application actively engaged in Accountancy and is in the opinion of the Executive Council qualified to practise in public as an Accountant ; and

(*d*) If required satisfies the Executive Council by examination as to the thoroughness of his knowledge of Accountancy.

(iii) For a Student—

(*a*) That he is not less than 16 years of age ; and

(*b*) That he has satisfied the Executive Council that he is of good general education."

17. At the present time the members on the Register of the Association are as follows :—

Honorary Fellows		7
Fellows	169	
Associates	157	
	—	326
		333

* Not reproduced.

18. An analysis of the application forms shews that the above number of Fellows and Associates (326) were employed as follows :—

In Public Practice		103
With Chartered Accountants ...	113	
With Incorporated Accountants ...	20	
With other qualified Accountants	38	
	—	171
With Local Authorities, etc. ...		8
With Commercial Companies		44
		326

19. The latest analysis of the occupations of Members of the Association as at 21st February, 1930, is as follows :—

Fellows in public practice	89	
Associates in public practice ...	49	
	—	138
Serving with practising Accountants :—		
As Managing Clerks	26	
As Chief Clerks	7	
As Senior Audit Clerks ...	70	
	—	103
Total of Fellows and Associates engaged in the Accountancy Profession.		241
Holding responsible position with public Authorities.		10
Accountants with public Companies ...		11
Accountants with private Companies ...		6
Secretaries of public Companies		5
Secretaries of private Companies ...		14
Accountants with Firms in Commerce ...		4
General Managers of firms in Commerce		2
Present Occupations not definitely known		33
		326
Honorary Fellows 7, Students 16 ...		23
Total Membership		349

20. There is no member of the Association who is under 25 years of age, or has had less than six years practical Accountancy experience.

21. There are some members who have served part articles with Chartered Accountants, whilst others have taken part C.A. and F.S.A.A. examinations, but War service broke into many careers and although extension of the time might have been granted to permit of the completion of the examination, Army service made men of boys and men's jobs were looked for on return to civil employment in view of increased age.

22. Many applications for membership of the British Association of Accountants and Auditors have been supported by members of the Institute and the Society and many members of my Association are in public practice as partners with Chartered Accountants and other qualified Accountants.

23. The average age of members is over 35 years.

24. The British Association of Accountants and Auditors has adopted the democratic principle of articled service without fees and every application is most carefully scrutinised by the Executive Committee and strict compliance with the Articles of Association has always been demanded.

25. Confirmation of the qualification of applicants has been obtained whenever it has been possible by the Branches, by individual members and by outside professional aid.

26. There are members of my Association who have served and are still serving as Public Auditors under the Friendly Societies Acts.

27. The whole principles of the British Association of Accountants and Auditors, Limited, are democratic, as it is contended that equal opportunities should exist for all, irrespective of means or birth.

How such Register should be controlled.

28. I endorse and confirm the evidence given by my Colleague, Mr. Magnay, under this Heading.

MR. THOMAS MAGNAY and MR. LIONEL T. KNIGHT examined.

1314. (*Chairman*): Would you wish to add anything to the Memoranda that you have submitted ?—(*Mr. Magnay*): No, except this. All I could say would be just in amplification of my Memorandum. For instance, as regards paragraph **3**, I am just stating there what Sir Thomas Robinson said in 1929, and Sir William Middlebrook said in 1920. In connection with the last sentence of paragraph **6**, "The older Societies" etc., I got some figures out which I have no doubt you will be able to verify for yourselves. I took the Chartered Accountants' Year Book for 1928 and found that they had 7,644 members, of which number 3,937 were not in practice in England and Wales. In 1929, there were 8,201, of which number 4,369 were not in practice in England and Wales. The Incorporated Society for the year 1928 had 4,847 Members, and in 1929, 5,051. The Society do not state how many of their Members are in practice or not in practice, but if you take the same ratio we may assume that about 8,000 of the Members of the Chartered Institute and the Incorporated Society are in practice and I suggest to you, my Lord, on behalf of our Association, whilst we do not desire to say anything unkind about the older Societies (we have no quarrel with them whatever) it is quite impossible for 8,000 accountants in practice to deal with the tremendous number of companies and business undertakings that require auditors and accountants. If I may be allowed to give an illustration which seems appropriate, the older Societies desire to practice birth control but, as we say up in the North, "The bairns are here and have to be kept" and, if anyone says that any of the younger Societies are not legitimate, my answer to that is that registration of marriage cures all previous irregularities and gives the offspring a title to the name if not to the property.

1315. I see you use the word "public" in paragraph **5** in a restricted sense. Would you say there is any demand for registration by the public in the sense in which you use the word ?—Personally I do not think the ordinary public are very much concerned about registration one way or the other.

1316. No, but you say "the public—not merely the popular or uninstructed world—but Income Tax Authorities, Bankers, Solicitors, and business concerns, know the value of such Accountants and not only accept, but recommend them to those requiring their services". Using the word "public" in the sense you have used it there, would you say there was a demand for registration ?—I should say that they were desirous of the matter being, shall I say, stabilised, but there is not a great deal of comment on the matter, in my experience.

1317. You tell us in the middle of paragraph **6** : "The public demand has outstripped the restricted supply" ?—Yes.

1318. Then in the next paragraph you say : "There are signs that supply has overtaken the demand" ?—Yes.

1319. In what sense do you use the word "supply" ?—I was thinking more particularly of the fact that in the last few years Accountants, after qualifying, do not go into practice.

1320. May we take the first sentence ; you mean the membership of the older Societies is not sufficient to cope with the demand ?—Yes, I have already said that.

1321. You have said that. Now the second sentence ; the supply has overtaken the demand ?—I think through the exigencies of the public demand for accountants there have been considerable numbers of men starting in practice for themselves, men who had no opportunity with the firms they were with and started on their own because of the public demand. But I should say personally, in my own opinion, that the supply is almost equal to the demand now. I think so because if you take the North you will find a considerable number—I should say offhand twice or three times as many—accountants as there were fifteen years ago.

1322. When you say in paragraph **8** that "Registration is the only way to overcome the difficulties", you mean those difficulties in regard to supply and demand which you have referred to in the two previous paragraphs ?—Yes.

1323. Your argument is that the older Societies have not sufficient members to meet the demand ?—They could not cope with it in my opinion.

1324. Then your next argument is that the supply of qualified and less efficiently equipped accountants has overtaken the demand of the public. There are, I believe, men who are not really qualified accountants who are doing accountancy work ?—There are some but, by the law of the survival of the fittest, they simply cease to be after a while.

1325. Yes, but you say in your Memorandum that registration is the only way to overcome the difficulties and give the authentic stamp to the real gold ; therefore, if I may use your own words, there are accountants who are not "real gold" ?—Yes.

1326. In paragraph **10** you say : "the only reason for the existence of any Society in any profession and for its recognition by the State, is to get worthy and competent practitioners." I suppose you mean there the formation of the Association was to protect the interests of the public ?—It was, but to be quite frank and honest—I come from the North where we are used to plainness of speech—self-preservation had something to do with it.

1327. Self-preservation one, public preservation two ?—I should say in equal parts.

1328. We will bracket them together ?—Yes, I will put them in equal parts if you do not mind. In regard to that paragraph, I think there ought to be, for want of a better word, a "post-graduate" course in accountancy. It should not be possible to shut out a man who finds what his real bent is, his natural aptitude. There are boys whose fathers choose the profession of accountancy for them, pay all their fees, place them with the best firms and the boys may not show an aptitude for it and may dislike it. I have known cases where they have disliked it altogether and others find their natural bent and aptitude afterwards, just as in the law they find their natural trend or aptitude afterwards, and there ought to be the possibility of a man equipping himself in such a way for the profession of accountancy as in other professions.

1329. Now further down you say : "Registration would cure many abuses", among these being that money-lenders advertise themselves as accountants. Do you think the public suffer much as a result of this ; have you heard of the public suffering ?—They complain about it. They did complain about this case and the brass plate was altered.

1330. You have had an actual complaint ?—Within a few doors of me.

1331. I see you say in paragraph **12** (*c*) (i) you would put on the Register any member of any body of accountants incorporated by law before the 1st January, 1927 ?—The idea there was it was three years back. We expected if there was an Act it would not come into force for a year. There is nothing hidebound about that date.

1332. I see you also propose to include in the first Register every person of good character 25 years of age who for six years before the setting up of the Register was actively engaged in accountancy as his principal means of livelihood ?—Yes, Sir.

1333. Mr. Knight in paragraph **6** of his Memorandum, happens to mention two cases. Would those gentlemen be included on the Register ?—(*Mr. Knight*) : I should say decidedly not.

1334. May I ask how you would exclude them under your proposals, if for six years they had been actively engaged in accountancy ?—They could not prove they were actively engaged in accountancy, either of them.

1335. I do not quite follow.—In neither case had the man been actively engaged in accountancy for six years.

1336. That you know ?—I know that.

1337. It is conceivable, however, that they might have been engaged for six years and that the same occurrences might happen ; they would be eligible for the Register ?—Yes, if a man had been actively engaged in accountancy for six years I cannot imagine his making such mistakes as mentioned.

1338. You exercise disciplinary control over the Members of your Association ?—(*Mr. Magnay*) : Yes, we are very careful. We could have had hundreds more.

1339. There may be persons who have been struck off the roll of socioties but who are still engaged in public accountancy work, may there not ?—(*Mr. Knight*) : Yes.

1340. Would such men be able to get on the Register ?—(*Mr. Magnay*) : I take it they would be struck off.

1341. Mr. Knight, might I ask you this ; are you satisfied that all the members of the existing societies of accountants are fully qualified to carry out accountancy work of every description ?—I can only speak for my own Association. Other societies have their own rules. I have no doubt they have taken proper steps to ascertain the qualifications of their members. I do know in regard to my own Association that extreme care has been taken.

1342. Extreme care has been taken ?—Taken to verify their qualifications, make sure they are qualified. Of course, it is possible that with the very best regulations you get " done in the eye " as they say. You get a man in who ought not to be in.

1343. Now would you agree that, if registration were adopted, undesirable men might possibly get on the Register. Supposing you made the rule that if a man had been in public practice for six years, would it follow that every person put on the Register under this rule would be desirable ?—Would not that be covered by the other condition, that he must give evidence of good character and so on.

1344. Do you suggest that ?—(*Mr. Magnay*) : That is always the first proviso in every case, that a man is of good personal character (*see* paragraph **12** of Memorandum No. 21).

1345. You think that only suitable people as regards character would get on the Register ?—That is the intention.

1346. And if you had a Register, do you think the result would be a levelling up or a levelling down ?—For a while it might be a declension. There must be a state of flux at the start until things settle down. We are just proposing to do now what the Chartered Accountants did in the first instance, and the Incorporated Society (whom they then, I am told, called " an enterprising body of gentlemen ") did likewise. We are suggesting that what they did individually for their respective associations should be done for purposes of the State generally. (*Mr. Knight*) : I should like to amplify that. I would say that when the Chartered Institute was founded fifty years ago they had certain fields to work on. At the present time I can say that those who are not included in the said societies are a very much larger field than the Institute had to work on.

1347. How many of your present Members have passed the examination of the Association ?—None.

1348. In what cases are candidates required to pass the examination ?—In the event of a man applying and his experience not being satisfactory from our Council's point of view, we might request him to sit for examination. I think you have a copy of our Year Book.

1349. With respect to paragraph **19** of your Memorandum, you regard a senior audit clerk as being engaged in the profession of accountancy ?—Yes.

1350. But you would not regard the chief accountant in a large commercial firm as being engaged in the accountancy profession ?—Not necessarily, he may be. Very many large firms now when they want to appoint a general manager or chief clerk choose an accountant for the purpose. He ceases to be a practising accountant and is engaged in commerce.

1351. You tell us in paragraph **24** that the Association have adopted the democratic principle of articled service without fees ?—Yes.

1352. May I take it that articled service is not a preliminary to admission to the Association ?—No, it is not. We had in view in founding the Association that there are a large number of suitable young men who have all the necessary qualifications from the point of view of education and otherwise to take up accountancy, but they are not in a position, perhaps their parents have not sufficient means, to be articled. We started with the idea that we would give such young men a chance to take up accountancy by being articled without fee. Our Members are strictly forbidden to take any fees.

1353. (*Mr. Bellman*) : Mr. Magnay, in paragraph **7** of your Evidence you refer to the authentic stamp being given to the real gold ; am I right in assuming that you would agree that the Members of the Chartered body and the Incorporated Society may be regarded as having that hall-mark now ?—Yes.

1354. Do you share your colleague's satisfaction—I do not want to put it too high—as regards the membership of the lesser known bodies of accountants ? Are you satisfied that the tests of admission generally are adequate ?—I can only say what I heard the other day from a student sitting for his Final, he is grinding for it now, that in his opinion the examinations for the London Association were as stiff if not stiffer than the others. That is his opinion. He had seen the questions for all of them. If I may just add something to the trend of your question, and to the question put to my colleague by My Lord Chairman, I suggest that there first must be a sufficient nucleus of members before you can expect examinations to take place.

1355. In other words, you are prepared to admit some alloy into the " real gold " at the outset ?—There has been, to use the illustration which I suppose I must follow, bimetallism in this case. There are two kinds of currency and if there is not a fixed ratio of exchange in these media as to their respective values then the undervalued medium will disappear out of circulation and we do not want that to happen.

1356. Then in paragraph **11** you refer to the fact that registration would cure many abuses. You speak of the moneylender and the house agent and the ex-Inspector of Income Tax. We are very familiar with all three illustrations here. Are there any other abuses in your mind that can be cured by registration, because that is the sort of information we are looking for?—Well, if registration took place there would have to be a standard of efficiency determined by a superior and governing body. That is, in my opinion, essential and that is to me the greatest value in registration. There can be no complaint when once there was a fixed standard of efficiency laid down which everyone must subscribe to.

1357. That does not quite answer my question. I am trying to ascertain whether abuses other than those which you have mentioned exist to any extent ? —Well, it would mean the part time man who is doing accountancy and advertising—I see in the newspaper advertisements : " Book-keeping, balance sheet, profit and loss account, income tax appeals, attended to." I am told there are men who do that sort of thing at night time for small tradesmen and that is an abuse and ought to be stopped.

1358. It is rather a breach of professional etiquette than an abuse through which the public suffer, is it not ? What I am anxious to ascertain is whether the public is suffering through the lack of effective registration. In the instances you have given us, the public may not suffer ; the turf accountant who puts up a sign ; after all, he is generally known to be a turf accountant and to specialise in that particular business ; the house agent generally confines his business to the keeping of books of very small tradesmen or to income tax recovery under Schedule A ; and the ex-Inspector of Income Tax generally specialises solely in income tax work. You know nothing of any serious abuse under which the public suffers ?—No, it has not come to my notice, but I do suggest that if the term accountant was defined and restricted in its use to properly qualified persons it would be to the public good.

1359. Then you referred just now to the Register being limited to those who are experienced and qualified and in paragraph **12** (*c*) (2) (ii) of your Memorandum you recommend that a man shall be admitted to the Register who " was for six years immediately preceding the commencement of the Act actively engaged as his principal means of livelihood in accountancy." Is not that throwing the door open very wide indeed ?—That is before registration takes place, yes. Sub-paragraph (*c*) (3) deals with entry after registration takes place. We are quite clear about that. These men, senior audit clerks, for instance. A Member of ours whom I know personally was made a Member of our Association. He is now abroad for a very big firm of accountants of national repute winding up a big liquidation there. He is a senior audit clerk. Unless the door was opened in the first instance to let him in how is a man like that to get in ?

1360. To get on to the Register ?—He is obviously qualified.

1361. But the terms of this recommendation seem to me to be very wide. Here is the type of case I have in mind. Let us take the instance of a clerk who has attained his majority as defined here in your recommendations, and may be engaged, for the sake of illustration, in the Railway Clearing House, where he is employed on perhaps one of the simplest forms of accountancy, the examination of accounts rendered by stations for traffic which has passed over the lines of two or more Companies. Now his knowledge of accountancy is severely limited indeed, it is limited to the particular railway accounts he has to audit. Yet under your recommendation he would be admitted to the Register ?—Don't you think you first of all must define what is meant by accountancy, actively engaged as his principal means of livelihood in accountancy. You do not evidently consider that particular work you instance is accountancy and I do not think it is. I do not think book-keeping is accountancy.

1362. It is the definition of accountancy which gives us considerable trouble. This man is engaged upon the audit of accounts and it is his principal means of livelihood and he comes within the scope of this recommendation of yours ?—That is a very nasty snag. Personally I do not know how you are going to get over it easily, but the term accountancy is the difficulty there.

1363. You would not, of course, recommend that this type of accountant should be included ?—Take a book-keeper who is doing sectionalised kind of work ; a man three months there could do as well as if there fifty years ; that would obviously not be accountancy in its range or experience.

1364. (*Mr. Branson*) : In paragraph **6** of your Memorandum you say : If the older Societies claim that only a member of their Society should be allowed to state that he is a qualified accountant, etc. ; that may be paraphrased, may it not : If the older Societies claim any sort of monopoly then the facts are against them ?—The facts are against them.

1365. If nobody claims any sort of monopoly does that remove a considerable part of your desire for registration ?—My answer to that would be the fact that in all Corporation Bills brought before the House of Commons the Chartered Institute and the Society of Incorporated Accountants have in fact—

1366. Forgive me interrupting, that is not my question ; I say, if no claim is made for any monopoly, does that remove in your mind a considerable part of the case for registration ?—Yes, in the main part ; but I have to state also that as regards the Public Auditors : at present, by some Departmental Order, not Act of Parliament, some bureaucrat determines that only a Chartered Accountant and Incorporated Society man can now be a Public Auditor and even they must stand in the queue and wait their turn. In effect, if that is not a monopoly I would like to understand the term. If we are outside the pale and they are in it, it is uncommonly like a monopoly to me. (*Mr. Knight*) : There is the same point in regard to Corporation Bills.

1367. That does not arise out of my question, but I did not want to interrupt. Then may I take you to paragraph **10** of your evidence, where you say : " The State must not shut out the capable ' man of parts ' from doing the work he is evidently fitted for " ; later on you instance as an abuse the ex-Inspector of Income Tax who is advertising for business. Is he not a man of parts ?—Obviously or he would not have a pension.

1368. Is he not eminently fitted to do income tax work ?—Obviously. That is a fine debating point if I may say so. Income tax is only just one-twentieth roughly speaking of the itemised portion of accountancy. I was really thinking that this man on pension advertising as we are not allowed to do is taking very unfair means to feather his nest. That would be stopped under registration. It ought to be stopped now.

1369. Then if I may go to paragraph **12** (*c*) (2) of your Proof, in the interim period you suggest the admission of any man who has been for six years engaged in the practice of accountancy provided he is of good personal character ; that paragraph would admit to the Register, would it not, the money-lender, the house agent and the income-tax inspector, provided they were of good character ?—I do not think so, with all respect.

1370. Assume he has a good character ; he may to-day be preparing formal accounts, and if he has been doing that for six years, he would be admissible under your proposed condition ?—Would there not be a competent body to determine what kind of work he had been doing. The mere fact that applicants said so would not be sufficient. He would not have the right of entry by turning the handle. He would have to knock at the door and make a claim to admission. They would not come in on the flood stream ; they would come in on a canal through locks.

1371. I am asking you to assume he has been engaged in the practice of accountancy as defined in your proof ?—

1372. (*Chairman*) : If I may interrupt, the beginning of the sub-paragraph is : " That the Board shall admit to the Accountants' Register kept under the Act " ?—In answer to this, with all respect to the Member of the Committee here, I demur strongly to the statement that a money-lender and a house agent who, just as a by-product or side-line of his business, does accounts for his clients—I will not include the ex-Inspector of Income Tax—but these two persons should not be termed accountants.

1373. (*Mr. Branson*): You would exclude them from your definition of accountancy?—Those men, yes, I would.

1374. In sub-paragraph (c) (3) you suggest that after the interim period the Board has to admit a person who is of good character and has at least five years' experience in the business or practice of accountancy. You said you came from the North and you will forgive plain speaking; that would have shut you out, would it not?—No.

1375. Up to the time you took up accountancy you were otherwise occupied?—No. I suggest that twenty-five years in the County Court, Chief Clerk for twenty years, eligible for an appointment as Auditor for His Majesty's Treasury, doing all kinds of book-keeping, sent to other Courts to institute proper methods of book-keeping as I was sent to Morpeth Court and other places that I was occupied with accountancy. Thirty years ago I knew the principles of accountancy and in the ten years since I left the Court I have had more experience. The Association evidently agreed with me, and considered the recommendations I had from His Honor Sir Francis J. Greenwell, and the Government Auditor and the Registrar sent with my application were good enough to vouch I was worthy.

1376. I was not questioning that, but it is not within your definition. Under your definition you would not have been admitted?—I take it we are discussing a thing which must be put into force as a national experiment and no politician or statesman will think less than twenty years ahead. In twenty years' time I shall not be here in the course of nature and we have to think of twenty years' time. Let me be anathema for my people, but let the thing that is right and just be done.

1377. Now look at paragraph 12 (*d*) (2). I understand you to suggest that under registration no accountant is to be entitled to say he is, for instance, a Chartered Accountant; he is not to be entitled to use the letters "C.A." after the word "Accountant"?—No; there is a prestige inside. Since the Dentists Act, for instance, there is still a prestige unassailed for a man who is qualified from Edinburgh or from Durham, or other University, and solicitors by putting their degree after their names show that there is one glory of Cambridge and another glory of Oxford, and the indubitable stamp of the London University.

1378. Do you wish to withdraw that paragraph?—No. They can put "Accountant" and then state as they do on their notepaper now—"C.A." or "F.S.A.A." or as the case may be; as a solicitor puts "M.A." or "LL.B." and so on.

1379. You have said a person registered under the Act "shall not take or use or affix to or use in connection with his premises, any title or description suggesting or reasonably calculated to suggest that he possesses any professional status or qualification other than the professional status or qualification of an Accountant"?—I do not interpret that to mean that a "C.A." or Incorporated Accountant should not put that after his name as he does now. I have here an application for membership of our Society backed by a recommendation from a Chartered Accountant who describes himself a "M.A.(Cantab)., LL.B." Why shouldn't he?

1380. (*Chairman*): But that is a "title or description suggesting" that he possesses that degree?—I never imagined that would be construed that way.

1381. (*Mr. Branson*): This paragraph ought to be withdrawn?—It should be amended.

1382. (*Mr. Walker Clark*): In your experience has the administration of bankrupt or other estates become almost a scandal because of the administration by more or less incompetent men?—I have not noticed it. I have not heard of it.

1383. In your definition in paragraph 12 (k) (3) you almost limit the word "accountancy" to the audit of books and accounts and the preparation and auditing of final accounts and balance sheets. That takes no account whatever of men who are engaged in large businesses where accounts are the important feature of the business; for instance, a Building Society. Those men would not be qualified to call themselves accountants?—That again would be a question for the governing body to decide, whoever was the responsible body.

1384. You are giving here a definition of the word "accountancy" for the purposes of the Act and you are limiting it to the auditing of books and the preparation and auditing of final accounts?—I have no need to pray for a good conceit of myself, but I cannot say that I am fully competent to draw up a very difficult definition like that. It is the best I can do.

1385. It is the best you can do?—I should like to see a better.

1386. You stated in answer to my Lord Chairman that there are twice as many accountants in the North now as ten years ago. Is not that due to the demands that have been made upon accountants by Joint Stock Companies, etc.?—Yes, particularly since the war.

1387. And is not the supply no greater than the demand? These men are not on the dole?—I have heard of young men getting through their final examinations who could not get a lucrative job.

1388. You have heard of cases of that kind?—They are not getting what they think they deserve.

1389. Have those men served their articles to a competent firm or a very small firm?—A competent firm.

1390. And they have not been retained?—Because I suppose they were asking for too big a salary at the start, and that, in my opinion, is the reason why so many of them go immediately into commerce. They see advertisements for jobs abroad in big companies and that sort of thing and they immediately go into the more lucrative jobs, save a bit, and come back in a few years with the capital to stand the racket of quiet times while they are making a business.

1391. (*Mr. Scott*): You desire registration because you wish your Association to be recognised for all practical purposes in the same way as the Chartered and Incorporated bodies?—We think there ought to be a minimum standard of efficiency and we think we are equal to that and we ought to be recognised as accountants.

1392. Do you think that registration would result in a levelling down of the profession generally?—I do not think they have anything to fear, the older bodies.

1393. You do not claim that your qualifications, both by education and practice, are equal to those of the Chartered and Incorporated bodies?—I think it is not impossible to say so. Many of our men are far superior to the younger men of the older Societies, far superior in experience and in accountancy knowledge, but as I said at the beginning we appreciate the high standard and prestige of the older Societies.

1394. Take it the other way. Do you desire registration also in order to secure protection against unqualified men?—We want protection against unqualified men, yes. We are taking care to put into our Association only those men who are qualified. Here is an application from a man who has been thirty years in the profession and is a member of no society. I am certain there are unattached members of the accountancy profession who are in no society and have excellent businesses.

1395. Would it be agreeable that your Members should be obliged to satisfy a National Board that they were entitled to registration?—You mean before they could be registered?

1396. Yes.—No. I think the fact that our standard has been so high, and we can verify that, ought to be sufficient.

1397. But you would not be agreeable to submitting your Association's qualifications to a National Board, would you?—I could not say if we would do that. I do not think our Council would agree to that at all.

1398. Why should you be exempt; the National Board might perhaps rule out other lesser known Societies?—We, as I said at the beginning, we are only asking to do now what was done originally when the Chartered Institute was formed. There is a good rule in equity that he who comes into a Court of Equity must come with clean hands. We are only asking to do now, by putting things right for always, what the Chartered Accountants did in the first instance.

1399. Then on your own argument, surely the public are entitled, if they give the hall-mark of registration, to ascertain the qualifications of those who have that hall-mark?—Yes.

1400. It would not be in the public interest that the members of societies indiscriminately, because they have been formed some years ago, (and some of them have been admitting members very freely undoubtedly), and other people who have not joined any society at all but have been practising in some measure as so-called accountants, surely it could not be in the public interest to register those people as accountants?—My answer to that would be you cannot inflict injustices. You have thousands of men who have been in business for years: developed their business to quite reasonable proportions and are making a living. The State must recognise them. No House of Parliament would agree for a moment that a Bill should be passed saying these men are outside the pale and have no right to continue to get a livelihood in a profession they have practised for years.

1401. If a Bill for registration is brought forward, it is not absolutely necessary that those who are unable to be registered as accountants under the Bill should be debarred from continuing their present practice; that is to say, a man might be allowed to continue to act as a so-called accountant, but he would not be a registered accountant?—He must call himself an accountant and if he cannot call himself an accountant—

1402. He will not be a registered accountant, that is the point. There would be no bar to a man doing what he is doing at present. I am assuming that it would be possible to put forward a Bill in that form?—I cannot imagine it. Here I have an advertisement sent to me by the "Evening World", Newcastle-on-Tyne. If such a thing happened those who are called registered accountants under the new Act would be sending advertisements like this asking for audits to be sold to them. Here it says: "Old established firm of Chartered Accountants are open to purchase practice and invite confidential enquiries," and so on. I can imagine the unregistered man you are speaking of will have to go into compulsory retirement.

1403. (*Mr. Wills*): Will you tell us what proportion of your Members are engaged in independent practice?—It is a higher proportion, as a matter of fact, than others. Mr. Knight will give you the figures (*Mr. Knight*): In independent practice, 43½ per cent.

1404. Can you tell me what sort of work they are doing: are they engaged as auditors of public companies?—Yes, Sir, largely. Every class of accountancy would be covered by them.

1405. You think that their work is distributed in the same sort of proportions as that of the Members of the Chartered and Incorporated Societies?—I should say so, yes.

1406. Would they be engaged as Public Auditors; I think you have said, no?—As Public Auditors we are more or less barred, but we have one Member who is a Public Auditor.

1407. Liquidators of companies, trustees in bankruptcy?—Yes.

1408. Income tax work?—Yes, we all do that. (*Mr. Magnay*): In some cases jointly with Chartered Accountants.

1409. You think the work is fairly evenly distributed?—Yes, I think so.

(*The Witnesses withdrew*).

MR. HUBERT WILLIAM HUGHES (Secretary) and MR. WILLIAM GRAY, representing the Society of Statisticians and Accountants, Limited, called.

The Committee had before them the following Memorandum by the Society of Statisticians and Accountants, Limited:—

MEMORANDUM No. 23.

A.—*Interpretation.*

1. In this Memorandum the expression "the Society" means "The Society of Statisticians and Accountants, Limited (by Guarantee)"; the expression "the Council" means the Council, Board of Directors, Executive Committee or governing body duly elected at the annual general meetings of the Society to conduct its affairs in the periods between such annual general meetings.

2. "Register" means the Register more particularly described in the Terms of Reference of the Departmental Committee.

3. Words of masculine gender are used equally to import the feminine gender unless the contrary is expressly stated.

B.—*Authority of Evidence.*

4. In order to ascertain the wishes of its membership, the Society (by its Council) prepared and issued, under date the 10th March 1930, to all members a questionnaire.*

5. The replies of the members to this questionnaire are not at the time of preparing this Memorandum (viz., 15th March, 1930) completely to hand. In view of the fact that some members are in the British Dominions beyond the Seas, it would be impossible to obtain replies in the time that has elapsed since the Society was first invited to submit evidence.

6. So far as replies have been received and classified, they show an overwhelming body of opinion in favour of setting up a Register and of restricting the practice of accountancy to those whose names are or would be inscribed on such Register, and in the opinion of the Council they justify such Council in expressing the views contained in this Memorandum whether such views be ascribed to the Society as a whole or to such Council.

* Not reproduced.

C.—*The Case for Registration.*

7. The Council are of opinion that the needs of commerce, industry and the public services have combined to render the work of the accountant of growing importance to the community. In devising and formulating systems of record of financial and other transactions and operations; in keeping such records; and in certifying their accuracy when kept and presented by others, he is performing a service of great responsibility and value which inspires a feeling of security in the minds of the general public and encourages them to rely upon his performance of those duties which lack of time or the necessary training prevents them from doing for themselves.

8. It is of great importance therefore that the public should be protected from and safe-guarded against incompetent persons who set up in practice or otherwise undertake to render service as accountants, and hold themselves out as possessing the necessary skill and experience, when, in fact, they do not possess such skill and experience, or possess them only in an imperfect degree.

9. In the present state of the law, it would appear to be possible for any person to describe himself as an Accountant whether possessing such skill and experience or not, and so to invite, solicit and induce the public to utilise his services and rely upon qualifications which in fact do not exist. It is found that often the representations of such persons are supported by the display or indication of foreign diplomas of doubtful value, and that the general public is unable to judge of the worth or alien nature of such diplomas.

10. It is not denied that many persons practising or describing themselves as accountants are men of integrity, ability, skill, and experience; but the public have no general standard by which to judge or to separate the worthy from the unworthy; and it is submitted that the good men would have everything to gain and nothing to lose by the setting up of a suitable standard such as would be achieved by an equitable scheme of Registration.

11. It is a fact that persons who act as debt-collectors, rent-collecting and estate agents, commission agents, and auctioneers, or who carry on betting businesses or agencies, frequently describe themselves as accountants; it is believed that in the majority of such cases the description is used as a euphemism and with no intent to deceive or delude the public; but such use of the term serves still further to confuse the general public and to lower the prestige of the profession in their eyes.

12. There are many societies of accountants which set up standards of qualification for their members, conduct examinations, and issue certificates of competency. Some of these insist on compliance with certain conditions prescribed by the society, e.g., service of articles of clerkship for a term of years with an existing member of the particular society; experience for a term of years in the office of an accountant or of a limited company; service with a local government authority as or in the office of a treasurer, auditor, or accountant to such authority; experience in costing work, etc. It is submitted that each of these Societies caters for a particular class; there is no present limit to the number of Societies of accountants which may exist or be in the future set up; and their diversity and variation of qualifications, standards and designations tend to bewilder the public as to their relative merits.

13. By reason of the premises and for divers other reasons this Society believes:—

(*a*) that it is desirable in the interests of the public and of the profession itself to set up and establish by law a *Register* or other scheme of registration of *accountants*;

(*b*) that it is desirable to restrict the practice of the profession of accountancy to persons whose names would be from time to time inscribed in such Register.

(*c*) that if (*b*) be found impracticable or undesirable, (*a*) be nevertheless adopted and that the accountants on such Register be described, or entitled to describe themselves, as "Registered Accountants" in addition to or substitution for such other distinctive designations or initials they might be entitled to use.

D.—*Method of Establishment of Register.*

14. This Society respectfully submits:—

(*a*) That entry to the Register should be effected on the presentation of the diploma or certificate of a properly-constituted society or organisation of accountants which has been incorporated by Charter or under the provisions of the Companies Acts for a period of three years before the setting-up of such Register, or provides satisfactory evidence that it has been in existence for a like period though not chartered or incorporated as aforesaid for the whole or any part of such period; provided that the diploma or certificate of any other society may be accepted if a General Council of Accountants set up by law shall so decide.

(*b*) That there should be provision for admission to and entry on the Register of persons who have been bona fide practising as Accountants for a period of three years prior to the establishment of such Register, provided such persons are able to furnish reasonable proof of good character and integrity.

(*c*) That all persons so admitted must at the date of such admission have attained the age of 23 years; and that if any person applying for admission is otherwise qualified but has not attained such age his right of admission shall be conceded but the date thereof deferred until he shall have attained such age.

(*d*) The Register should contain a column in which the qualification or qualifications of the person admitted, or the ground for admitting him, should be shown; for example, F.S.S.A., F.C.A., F.I.M.T.A., or other initials with a note explaining the meaning of such initials, or "in practice prior to passing of Act."

(*e*) That British subjects in the Dominions holding the qualifications of a British society of Accountants as in (*a*) should be eligible for Registration.

(*f*) That the position of persons employed in accountancy work in the National and Local Government services should receive special consideration. Many are merely "accountancy clerks"; but provision should be made for admission to the Register—

(i) of those possessing the diploma or certificate of any existing Society of Accountants, as in (*a*), and

(ii) of those occupying suitable responsible positions, on the ground of their experience and responsibility.

The Society believes it would weaken the effect of Registration if the National or Local Government services were excepted or exempted from the Scheme. Future admissions to the Register are dealt with under Section E of this Memorandum.

(*g*) A General Council of Accountants should be set up which should consist of or contain representatives from (and nominated by) each of the societies at present representing separate classes of interests as in Section C, paragraph **12** of this Memorandum; where two or more societies represent the same class of interests (as to which the decision of the Departmental Committee should be final) one or more places should be allotted for such societies who should be required to send in joint nominations therefor.

(*d*) That in other matters not herein specifically dealt with, the proposals in Section D of this Memorandum should (mutatis mutandis) apply; and that

(*e*) Power should be given to the General Council referred to in paragraph **14** (*g*) to provide for anything else not foreseen.

(*f*) That persons admitted to the Register should be prohibited from advertising in the newspapers or in other publications and particularly from describing themselves as "Income-Tax specialists" or in any like terms.

E.—*Method of Control of Register.*

15. The Society submits:—

(*a*) That in its belief there should be provision for responsible persons to qualify themselves as accountants for entry, and to obtain entry, on the Register. The serving of articles of clerkship to an accountant on the Register should not be a condition precedent to examination for and entry on such Register. Many persons otherwise suitable for entry on the Register would be unable, owing to the nature of their employment to serve articles. Ability and knowledge of accountancy should be the deciding factor for registration.

(*b*) That examinations conducted by societies established as under paragraph **14** (*a*) above should be the test for admission to the Register, and that persons possessing the final examination certificate of any one of such societies should be entitled to admission.

(*c*) This Society would have no objection—as a safeguard if desired against existing societies having or establishing a monopoly—to the State also instituting and conducting an examination if it should be considered necessary. It is submitted that at least power should be given to (or taken by) the State to conduct such examinations.

F.—*General.*

16. The Society submits that it is undesirable that persons should be allowed to advertise in newspapers or other publications describing themselves as "Income-Tax specialists" or in like terms implying a special degree of knowledge.

17. That as an alternative to prohibiting practice by other than "Registered Accountants", and rather than that nothing should be done a Register should be set up and those whose names were inscribed thereon should be entitled to call themselves "State Registered Accountants" or by some similar title or description leaving others not on the register free to practise simply under the style of "Accountants"—somewhat on the lines of what at present obtains with regard to the Nursing service.

18. It is assumed that if Registration be established some consequential changes of the existing law will be necessary, e.g., the Finance and other Acts which give certain power to members of societies of accountants "incorporated" under Act of Parliament.

15th March, 1930.

MR. HUBERT WILLIAM HUGHES, examined.

1410. (*Chairman*): Can you tell us the date of the formation of your Society?—5th May, 1925.

1411. And the number of your Members at present?—Approximately three hundred.

1412. Are there different classes of Members?—Yes, two classes; Fellows and Associates.

1413. How many of your Members are in practice on their own account?—I have no definite statistics, but a very small proportion, certainly not 25 per cent. I should say.

1414. What qualifications are required for Membership. Must an examination be passed?—Yes, Sir; an examination must be passed and also there must be a personal recommendation by someone skilled in statistical and accountancy work.

1415. That is rather a wide definition is it not?—Yes, it is, very; but it has worked very well.

1416. Have you been able to define accountancy?—Well, accountancy I should say is keeping a record of the figures relating to the undertakings of a business. Of course, the record may be kept in various ways.

1417. Do you exercise any disciplinary control over your Members?—Yes.

1418. Have you had, if I may ask, many cases in which it has been necessary to exercise disciplinary control?—Yes, we have had a few, not many; a dozen I think all told in all the five years.

1419. It is possible, is it not, for a Member of a society, if he has had to leave that society for disciplinary reasons, to carry on practice on his own afterwards?—As an accountant, yes.

1420. As a public accountant?—Yes.

1421. In paragraph **8** of your Memorandum you refer to incompetent persons who set up in practice but who possess little or none of the necessary skill and experience?—Yes.

1422. You refer there to persons who are not connected with any society?—Primarily that was in my mind.

1423. I will tell you why I ask that question; under (*a*) in paragraph **14**, you propose to accept entry to the Register on the presentation of a diploma or certificate of a properly constituted society or organisation.—Which has been incorporated by Charter, that is by a Charter granted by the Sovereign of this Realm, or under the provisions of the Companies Act, that is the Act applying in this Realm. It does not apply to foreign bodies beyond the jurisdiction of the King.

1424. You would accept any one who came under that definition?—Under the definition in paragraph **14** (*a*), yes.

1425. Now would you say there are many—to go back to paragraph **8**—would you say there are many incompetent persons who set up in practice who possess little or none of the necessary skill and experience?—I should say there are a good many; not equal to the number of qualified accountants practising.

1426. Would you say they were employed?—These unqualified people employed by clients?

1427. Yes.—They do get clients. They are not employed by a single employer.

1428. Have you had any complaints by employers of that description of person?—I have not had complaints myself by clients, but it is a matter of very common knowledge that complaints do arise.

1429. Do you think the public are able to discriminate?—No, I do not think they are. I could give evidence if you desire.

1430. You have evidence of that ?—I could give evidence, for instance, that people with whom I have been brought into contact and for whom I have in a friendly way rendered assistance in the preparation of income tax returns and reclaims and so on, and have made no charge (I have done it in a friendly way, I do not practise in that direction myself) have had refunds from the Income Tax Authorities. Then perhaps in a subsequent year they have got into some little difficulty again and they have gone to someone and they have told me afterwards: "I went to so-an-so; he is an Income Tax specialist." I happened to know Mr. So-and-so who had no knowledge of book-keeping sufficient to justify that description. I have said: "Did he get the refund ?": "Yes, he got £20 back for me and only charged me half of it"; and I thought I was very foolish to be so charitable as to charge nothing.

1431. Your society is called the Society of Statisticians and Accountants ?—Yes.

1432. May I ask what is the object of your Society ?—In the minds of the founders primarily to render service to those who were employed in the National and Local Government Services and in the public or pseudo public services—that is hospital and trade union and social services—who were skilled accountants in their own branch, but had very little to do with the ordinary accounting in connection with limited companies, and for whom no society catered.

1433. Now you say in paragraph **12** that each of the various societies caters for a particular class of the public ?—Yes, I think so.

1434. Would you say that that class knows which of the various societies caters for its benefit ? Do you think the public are sufficiently informed as to know the characteristics of the various societies ?—No, I do not think so, not as a general body. One must remember that the public consists as to perhaps 70 per cent. of people practically uneducated in the ways of business or professional service, not well educated people; the other **30** per cent. know perfectly well; when the 70 per cent. need accountancy advice they do not understand the distinctions.

1435. Do you think that there has been any demand from the public for registration ?—No, I do not think so. I do not think there has been any demand from the public. I think that the public—the 70 per cent. at any rate— have a general belief that if a man calls himself a public accountant he is on exactly the same footing as a man who calls himself a Public Auditor, which is a designation reserved for those who have been approved by the Treasury for certain purposes.

1436. What, in your view, would be the effect of registration ? Would it mean a levelling up or a levelling down ?—A levelling up in quality and in service to the public.

1437. At once, or in a period of time ? You would put upon the Register, on its formation, men of varying qualifications, is not that so ?—That is so, just as appertains in the Medical Register.

1438. In your view, you would get gradually a levelling up ?—I think we should.

1439. I see that in paragraph **14** (*b*) you suggest that all persons who have been *bona fide* practising as accountants for a period of three years should be admitted to the Register ?—That is so.

1440. If they had been practising you would admit them without regard to any other qualification ?—That is the general opinion expressed by my membership. If I may say so, it was expressed, so far as I can understand, because there was no desire to shut out from the benefits of registration those accountants who had been practising.

1441. How do you define "practising as accountants"? Would you include estate agents, for instance ?—It is very difficult to set up a standard for "*bona fide* practising as accountants". Certainly a turf commission agent I should rule out; an auctioneer and accountant I should say was more of an auctioneer than an accountant. An accountant might be an estate agent and might put that term first: "Estate Agent and Accountant"; yet he may be doing a great deal of accountancy work for his clients in preparing income tax returns, keeping trust accounts, and so on. It would be difficult to set up a standard of judgment.

1442. You would admit to the Register persons holding responsible positions as accountants in the National and Local Government services ?—Yes, I would.

1443. What would you do with the chief accountant of a large business firm ?—If he were officially styled "Chief Accountant", I should admit him.

1444. By "officially", you mean officially by his firm ?—Yes.

1445. You would admit him ?—Yes. I think it would be the best test if his firm were willing to pay him . . . .

1446. Would you regard those who passed your examination as fully competent to carry out the whole range of the functions of an accountant ?—Yes, they would. They would be able to carry out the whole of the functions of an accountant. The examination syllabus is very comprehensive.

1447. In paragraph **15** (c) you suggest that the State should take power to conduct examinations. You think the passing of that examination should be the sole qualification for admission, or do you think that practical experience would be necessary in addition ?—I should prefer to have the practical experience in addition, but I do not think it would be possible to make that compulsory.

1448. In paragraph **17** you suggest that those whose names are inscribed on the Register should be entitled to call themselves "State Registered Accountants", leaving those not on the Register free to practise ?—Yes.

1449. So you have in your mind a Register on which certain persons should be placed by reason of their qualifications, while others should be allowed to practise though not on the Register. Am I correctly interpreting your proposal ?—I think you generally interpret it correctly. My Society felt that registration would be a good thing. It does not affect the bulk of their membership financially.

1450. Because they are specialists ?—They are specialists, and they would continue to be employed in the National Government Service or in the Local Government Service, but they realise if they are asked for their opinion, that it would be a good thing for the public. They say: "If a register be set up we beg to offer these suggestions with all deference." They say that if, on the other hand, there be societies of accountants or people or interests strong enough to oppose the setting up of a Register, then it would be desirable if a Register were set up without prohibition of practice.

1451. (*Mr. Bellman*): What sort of statistical work do your members undertake ?—It covers a vast range of statistical work—Building Society work, Friendly Society work, Trade Union statistics of unemployment in industry and the curves that follow, largely Public Health statistical work — which we estimate to be perhaps of primary importance.

1452. To that extent your Members are in a sense specialists, much more so than those of some of the accountants' organisations ?—Yes.

1453. There is that definite specialisation in statistical work ?—I suggest they are specialists in statistical work.

1454. Is any proportion of your membership recruited from the Fellows of the Royal Statistical Society ? Have you any knowledge of that ?—I have knowledge that the Society exists. I am not a Member. I have not a list of their Members that I am aware of. I recall that I have seen their list of Members, but I could not possibly say that any of our Members were Members of that body. I should be surprised to find that any appreciable number were, because, particularly in the North, the work of the Royal Statistical Society is not well known, and in fact the methods of admission to the body are not well known.

1455. In the examinations to which you have referred, do you call for any evidence of experience in statistical research ?—That is a very important point. It carries a great deal of weight with us if a candidate is able to adduce evidence of experience in statistical research and statistical work. It must be statistical work of value, not a meaningless collection of figures.

1456. What I am wondering is how you get at that. Does he have to furnish some article or thesis which he has prepared ? How do you secure that evidence of knowledge of statistical research work?—As to practical ability, usually by oral examination.

1457. (*Mr. Branson*): In paragraph **9** of your Evidence you refer to foreign diplomas of doubtful value. Can you give me any examples ? I have never heard it suggested before.—That there are foreign diplomas ?

1458. Affecting accountancy ?—I know of several cases of accountants who are using foreign diplomas, United States of America diplomas, but as to their value I know nothing.

1459. What sort of letters do they put after their names ? I am trying to identify one. Can you think of one ?—I believe I am right in stating that the Institute or Society of Certified Public Accountants is incorporated in the United States of America.

1460. That is the sort of thing you have in mind ?—Yes. Also I have actual knowledge of cases where along with strings of letters like that they have designations such as Bachelor of Commerce, Bachelor of Science (Economics), which refer to American degrees, which are of course of doubtful value. I do not say that they are bad, they may or may not be.

1461. You have said that at the present moment incompetent persons are employed to do accountancy work because the public is under the impression that they are adequately qualified ?—Yes, I have said that.

1462. Is it not a fact that the public uses the incompetent man very largely because he is cheap or because he will work on "no cure, no pay" terms ?—I could not agree with that, because my personal experience has been that he is not cheap, but that he charges perhaps twice or three times what a professional accountant, say a Chartered Accountant, would charge for the same work.

1463. (*Mr. Walker Clark*): You say in paragraph **15** (*a*) that: "The serving of Articles of Clerkship to an accountant on the Register should not be a condition precedent to an examination for and entry on such Register". You would allow men without Articles to get on the Register ?—Yes.

1464. You think that the other protections which you have suggested would be quite sufficient ?—I think so.

1465. You do not regard Articles as very important as a test of experience ?—I cannot quite go so far as that. I regard Articles as valuable, but I recognise that in many cases of accountants who have grown up from youth in the public services Articles are out of the question. I also recognise that a man may acquire accountancy knowledge and experience apart from serving Articles.

1466. Would not those men be limited to one particular class of accountancy ? You would not call them accountants ?—I think so. My experience of them is that they are men with a wide range of accountancy knowledge, called for by their work.

1467. And have never had an opportunity of serving Articles ?—Yes, that is so.

1468. Your point really is that Articles should not be the only method of getting on the Register ? It should not be an absolute *sine qua non* ?—I agree with that. If I might draw a parallel, I would instance the man who may be called to the Bar if he is prepared to read Law sufficiently deeply.

1469. (*Mr. Scott*): In connection with registration, you appear to be in favour of allowing people who are not entitled to registration by their qualifications to continue in practice. In other words, you do not want to put out of employment people who may not be able to satisfy a National Board that they are entitled to registration ?—That is so. My Society felt, briefly, that so far as the bulk of their membership was concerned registration did not greatly affect them, but if their opinion was sought it was this, and they express it, but they did not want to do any injustice.

1470. In an answer to the Chairman you said, I think, that you thought the result of registration would be a levelling up ?—I think so.

1471. Is that the levelling up of your own Society, or a levelling up of the whole profession ?—Of the whole profession, I think, because the bulk of my Members are not greatly concerned with the public as individuals, only with them as employers. I meant levelling up of the whole profession.

1472. Supposing the Chartered bodies were asked this question; what do you think they would say ? Do you think they would say that registration was going to level up the profession ?—I think they would say that, because I understand that has been their attitude for a great many years past.

1473. Have you had an opportunity of comparing your educational qualifications with those of the Chartered and other well known bodies ?—I have frequently, in setting accountancy examination papers for admission, found the papers of the Intermediate and Final examination of the Institute of Chartered Accountants, with slight verbal alterations, to be very useful.

1474. You claim that the standard in your examinations is equivalent to that of the Chartered bodies ?—I think so.

1475. Would you claim that all your Members were entitled to registration if registration were effected ?—I think so.

1476. Would you be agreeable, in the event of every society having to prove its right to registration, to your Society, for instance, being held as not qualified, I mean simply as a Society. Would you be agreeable to registration if your Society were to be excluded ? I am merely assuming that.—I still think that registration would be beneficial to the general public, though it would be an injustice to exclude my Society.

1477. What I mean is would your assent be dependent on your Society, as a Society, being entitled to registration ?—If my assent to registration were required, I think it would not depend on that. I believe that registration would be good.

1478. (*Mr. Wills*): In paragraph **14** (*a*) you recommend: "That entry to the register should be effected on the presentation of the diploma or certificate of a properly constituted society or organisation of accountants which has been incorporated by Charter or under the provisions of the Companies Acts." I am not quite sure what you mean by "properly constituted". Does it mean properly constituted under the provisions of the Companies Act, or something else ? Supposing that a man and his wife formed a private company properly constituted under the Companies Act, to take an extreme case,

and granted diplomas to one another, would that be sufficient?—No, I would not say that would be sufficient.

1479. What does "properly constituted" mean?—One has to set up standards. It would be difficult for me to set up standards which should guide you gentlemen in establishing a Register, but I should say that a society should be properly constituted to your satisfaction and that further it should either have been incorporated, as the paragraph goes on to say, under the provisions of the Companies Acts or by Charter for three years, or otherwise provide satisfactory evidence of its existence. The object of that proviso is of course to prevent the sudden setting up of a lot of mushroom societies whose members would be accepted wholesale on payment of a fee and could then say, "We are members of a properly constituted Society".

1480. Does it not mean that members of all societies which have been in existence for three years at the date of the coming into force of the Act are automatically to go on to the Register, or how are you going to discriminate between societies? I do not see in your scheme any method suggested for selecting some societies and rejecting others. I took paragraph **14** (*a*) to mean that the members of all societies would automatically be put on the Register.—No, I would not go so far as to say that members of all societies automatically come in. There are, for instance, I believe, accountants whose sole business is that of conducting wagering on race horses, and they have some sort of association, I believe. I should not consider that to be "a properly constituted society of accountants", with all deference to the people composing it. I do not think it was intended to be set up for that purpose.

1481. What machinery do you suggest for deciding whether societies are properly constituted?—I think that if this Committee were satisfied that a society either incorporated by Charter, or under the Companies Act, or otherwise, had been in existence, had been set up with the genuine intent to provide an organisation for a certain class of members, and to extend facilities to a greater extent than they enjoy—in my own case the collection and compilation of statistical knowledge, for instance—I should suggest that the Committee would recognise that society as a properly constituted bona fide society of accountants.

1482. What it comes to is this: you would have a list of properly constituted societies in the Act of Parliament which effected registration?—Yes, I think so.

(*The Witnesses withdrew.*)

MR. LAWRANCE LUDFORD, M. Com. (Executive Officer) and MR. ROBERT R. MASON, A.C.I.S. (Executive Officer), representing the Institute of Company Accountants, Limited, called.

The Committee had before them the following Memoranda by the Institute of Company Accountants, Limited:—

MEMORANDUM No. 24.

1. The Institute of Company Accountants is a company limited by guarantee, founded and existing to further the interests of the Accountants of Companies, and of other Industrial Organizations.

2. This Institute is the only organization which represents directly and indirectly a class of accountants who are more numerous than the total membership of all other professional societies of accountants.

Distinction between Public Auditors and Accountants.

3. The terms of reference to your Committee, as set out in the communication received by this Institute from the Board of Trade, cover two quite distinct professions, namely that of Public Auditor, and that of an Accountant employed as the Accountant of a Company or otherwise in Industry, Commerce and Trade.

4. One of the objects of this Institute is to separate and to keep quite distinct the two professions of Company Accountant and Public Auditor.

Registration of Public Auditors.

5. There is no reason why public auditors should not be registered without any registration of accountants.

6. It would appear from the evidence given before Select Committees of the House of Commons, and from the articles on this question which have appeared in the Accountancy press, and in the general press, that when registration has been spoken of, what has really been in mind has been a registration of public auditors.

7. This is borne out by the fact that the question came to a head when a Select Committee of the House of Commons on Local Legislation was considering *Audit* Clauses in connection with Municipal Bills, and it would appear that the Select Committee were concerned with and had in mind public auditors only, even though their report may refer to "the Profession of Accountancy and Auditing".

Position of The Institute of Company Accountants, Limited (By Guarantee), with reference to the Registration of Public Auditors.

8. This Institute would not be directly concerned with the registration of public auditors. In the case of the registration of public auditors, the only request which this Institute places before your Committee is that in any Registration Act a clause shall be inserted safeguarding the rights of members of this Institute to use their own particular designation and qualifying letters, as set forth in paragraph **34** below.

9. This Institute suggests that, if registered, the term to be used by the auditors so registered should be "Registered Public Auditor".

Registration of Accountants as distinct from Auditors.

10. There are more than 110,000 companies registered under the Companies Acts, and of these companies, a very large percentage are sufficiently large to employ their own internal accountant. Thus, company accountants are much the largest class who now use the word accountant. The name accountant has been used by the accountants of companies continuously since the passing of the first Companies Act. These accountants have probably a better right to the term accountant than any other class, because they are primarily and wholly accountants, as distinct from "Auditors and Accountants", etc. The accountants of other organizations in industry, commerce and trade which are not registered under the Companies Act are in a similar position.

11. It is submitted that it is not equitable to take away the right to use the word accountant from the class of accountants indicated above under any scheme of registration. In fact, they have the best right to use that term.

Public Accountants.

12. The position is complicated by the fact that public auditors usually combine with their work as public auditors work as public accountants. It is submitted that when a public auditor acts as an accountant, he is acting in an entirely distinct capacity. He is practising two distinct professions. This has always been recognized in the profession.

13. It is submitted that a system under which the accounts which are audited by a public auditor are prepared by himself before he audits them is not a good one, even though practical considerations may render its continuance necessary for some years to come.

Recommendation—Should Registration of Public Auditors be deemed desirable.

14. This Institute submits that, if it is decided that it is desirable to form a Register of Public Auditors, registration at the present time should be confined to public auditors, and the position of accountants, either public or otherwise, should not be the subject of legislation at the present time.

15. If any recommendation is made for the registration of auditors, this Institute asks that, to safeguard the interests of its members, a safeguarding clause be inserted in the Act, reserving to the members of this Institute their designation and qualifying letters.

16. The designation and qualifying letters used by members of this Institute under No. 17 of the Articles of Association of the Institute are set out in paragraph **34** below.

History of the Institute of Company Accountants, Limited. (By Guarantee.)

17. The Institute of Company Accountants was founded in November, 1928, and was incorporated under the Companies Acts on the 9th day of September, 1929.

18. Although a young body, the Institute of Company Accountants already includes amongst its members a large proportion of the accountants of the largest companies and groups of companies. A list of a number of typical companies whose accountants are members of this Institute is given in Schedule 4 attached hereto. (This list* contains the names of 160 limited companies, public corporations and other industrial organisations. The size and status of these concerns can be judged accurately from the information as to number of members and capital given in Memorandum No. 25.) The capital of the companies whose accountants are members of this Institute amounts to £250,000,000. The debentures of these companies amount to approximately £60,000,000. Thus, the total of share capital and debentures is greatly in excess of £300,000,000. The number of members is at present 450, and the membership is growing at the rate of more than 50 a month.

Objects.

19. Although the accountants of companies and accountants employed in industry, commerce and trade are by far the largest group of accountants, and although the importance of their positions is equal to that of public accountants and auditors, whether judged by standards of responsibility, skill and experience required in their work; or by remuneration; they were not organised professionally in any way prior to the foundation of this Institute. The Institute of Company Accountants is the only professional society founded and existing primarily and solely to advance the interest of accountants who are in employment other than public practice as accountants and auditors.

20. Some company accountants and other accountants employed in industry and trade may be found to be members of other professional societies, but this is due to the fact that a number of the members of such societies enter industry, and that some company accountants have had a desire to obtain a professional status, but hitherto have had no society of their own. The Senior Accountancy Society only admits to membership those who have served articles with a public auditor. The position of the Accountancy Society second in seniority is somewhat similar, only experience with a public auditor or with certain municipal departments being recognised. This shows that they are primarily societies of auditors. They give no recognition to experience other than that with a public auditor. They make no provision for, and in fact do not recognise or help in any way, the accountant going into industry.

21. The main objects of the Institute of Company Accountants are to advance the interests of accountants engaged in industry, commerce and trade; to separate and to keep quite distinct the two professions of company accountant and public auditor; to confer upon the company accountant a definite professional status; to ensure the supply of thoroughly trained company accountants by a system of examinations; and to give evidence of efficiency to those qualifying as company accountants by means of qualifying letters, a professional designation and certificate.

22. The objects of the Institute of Company Accountants as set out in the Memorandum of Association are given in Schedule 1 attached hereto.†

Activities.

23. The Institute of Company Accountants has already given effect to its objects and assisted its members by:—

(*a*) The regular issue of publications dealing with the work, activities and problems peculiar to the company accountant.

(*b*) By the institution of an enquiry service for its members which is available in connection with the Institute's publications and also for the problems and questions which come before members in the carrying out of their duties.

(*c*) The organisation of local centres, in connection with which meetings and lectures are held.

(*d*) The provision of an information service, which insured the supplying to members of information of all kinds which may be necessary or useful to them in their work.

(*e*) A lending library service, which gives members the use of books of practical service to them in the carrying out of their duties or in their studies and research.

(*f*) The provision of a system of examinations for those desirous of qualifying as company accountants. The examination syllabus and regulations of the Institute are given in Schedule 5 attached hereto.‡

The especial importance of the position of this Institute with regard to the question of Registration.

24. This Institute is in the very responsible position of being the only professional society which has a real claim to speak before your Committee on behalf of the largest and most important class of accountants in the kingdom.

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* Not reproduced.

† Appendix R.
‡ Appendix V.

25. Thus, although a young body, and not large in numbers, its position is one of especial importance and responsibility.

26. It is submitted that it is entitled to speak for company accountants and accountants employed in industry, commerce, and trade, and to command the confidence of your Committee by reason of the facts that :—

(*a*) It has grown in such a remarkable way, both as regards the numbers of its Members, and also with regard to its activities in such a short time, thereby showing that it met an essential need, and that it commands the confidence of the Profession.

(*b*) By reason of the importance of the positions held by its Members.

27. The number of Members is 450.

28. The membership is increasing at a rate in excess of 50 a month.

29. The share capital of the companies of which its Members are the accountants totals £250,000,000 and debentures £60,000,000. Thus, the total of share capital and debentures is greatly in excess of £300,000,000.

Members prohibited from using their membership as a qualification for public auditorship.

30. Members of this Institute are forbidden to use their membership as a qualification for the work of a public auditor, and the Council has disciplinary power to deal with any breach of this rule.

31. This matter is dealt with in Nos. **27** and **28** of the Articles of Association, reproduced in Schedule 2 attached hereto.*

Admission of Members.

32. As in the case of every other professional society, the first Members of the Institute are naturally practising Members of the profession, admitted to membership after strict scrutiny of their claims.

33. The requirements for membership are set out in Nos. 7 and 8 of the Articles of Association, reproduced in Schedule 3 attached hereto.†

Designation and qualifying letters.

34. The Designation and Qualifying Letters used by Members of this Institute are set forth by Article 17 of the Articles of Association as follows :—

> "Every Fellow shall be entitled to a certificate of membership, which shall entitle him to designate himself 'Company Accountant (Inc.)' and to use the distinctive letters F.I.A.C. Every Associate shall be entitled to a certificate of membership, which shall entitle him to designate himself 'Company Accountant (Inc.)' and to use the distinctive letters A.I.A.C."

Examinations.

35. The Institute has organized a system of examinations, and has appointed an independent chairman of its Board of Examiners. When the membership of the institute has become thoroughly representative of the profession it is the intention of the council that entrance shall be by examination only.

36. The examination syllabus and regulations of the institute are reproduced in schedule 5 attached hereto.‡

Recommendation of this Institute should Registration of Accountants be deemed desirable.

37. It has already been stated that this Institute does not make any recommendation with regard to the registration of public auditors, except to ask that in any Act the position of its members shall be safeguarded by a safeguarding clause.

38. This Institute submits that registration of accountants as distinct from public auditors is not desirable, because of the difficulties involved, and because there is no immediate necessity for such registration.

39. If accountants were registered, this Institute would ask for the designation "Company Accountant" to be reserved to its members, and that the right of all accountants at present employed as accountants in industry, commerce, and trade to use the term "accountant" (as distinct from "company accountant") should be safeguarded, and that the designation of those registered should be "REGISTERED PUBLIC AUDITOR AND ACCOUNTANT".

* Appendix S. † Appendix T. ‡ Appendix V.

MEMORANDUM No. 25.

SUPPLEMENTARY INFORMATION TO CORRECT MEMORANDUM No. 24 TO APRIL 30TH, 1930.

1. In paragraph **18,**

(*a*) *for* £250,000,000 *read* £300,000,000.
(*b*) *for* £60,000,000 *read* £64,000,000.
(*c*) *for* £300,000,000 *read* £364,000,000.
(*d*) *for* 450 *read* 600.

2. In paragraph **27** *for* 450 *read* 600.

3. In paragraph **29,**

(*a*) *for* £250,000,000 *read* £300,000,000.
(*b*) *for* £60,000,000 *read* £64,000,000.
(*c*) *for* £300,000,000 *read* £364,000,000.

Mr. LAWRANCE LUDFORD examined.

1483. (*Chairman*): If I understand the first few paragraphs of your Memorandum of Evidence correctly, you really divide what is known as the profession of accountancy into three parts, the first part containing public auditors, the second accountants in practice on their own account, and the third accountants who are employed in companies or otherwise in industry, commerce and trade ?—That is quite correct. That is my view.

1484. I am not quite clear as to the basis of your distinction between an auditor and an accountant.—In public practice in each case, you mean ?

1485. You distinguish between an auditor and an accountant ?—I would define an auditor as a man who verifies and certifies the correctness of accounts which are presented to him. An accountant, in distinction to an auditor, actually prepares or makes up the accounts which are subsequently audited either by himself or by some other person.

1486. May I take you to paragraph **8** of your Memorandum ? You would not desire that your Members should be put on a Register which included public auditors only ?—No.

1487. Supposing such a Register were adopted and that a Member of your Institute later wanted to practise as an auditor and as an accountant, would you regard him as qualified to do so ?—No, not as far as membership of our Institute is concerned. If he wished to be a public auditor it would be his business to obtain some suitable qualification, either by examination or by doing whatever is necessary to be placed on the panel, but we should not claim that membership of this Institute was any qualification for the work of a public auditor.

1488. From paragraphs **13** and **15,** I gather that you have not yet held examinations, but that you propose to do so ?—Yes, that is correct. We are of course quite a young body, but our examination plans are already laid, our examination syllabus is prepared. Naturally a student preparing for an examination requires a reasonable period in which to complete his preparation, and the first examinations will be held in November next.

1489. You tell us that the Members are admitted to membership after strict scrutiny of their claims. What conditions do you lay down ?—The governing conditions are of course contained in our Articles of Association, in Clauses 7 and 8 which are set out in Schedule 3 of the Memorandum.* The interpretation of those two Articles, and the duty of seeing that each particular applicant satisfies those two Articles is of course a duty of the Council who consider each application individually.

1490. In paragraph **8** you say that the number of Members is 450. Is that the number at the present moment ?—No. It is a little in excess of 600.

1491. It has increased rapidly of late ?—150, I suppose, in the last two and a half months.

1492. Since the evidence was put in ?—Yes, it has grown rapidly. It was of course growing rapidly before that date. We had an increase in membership of 60 in one month. I think the first time we reached that figure for one month was probably about November of last year, speaking from memory.

1493. Would you regard your Members as specialists ?—Could I ask just what you mean by "specialists" ?

1494. Your Members are to a certain extent specialists, are they not ; they specialise in one class of accountancy ?—Quite, yes.

1495. You cater for a special class of accountant ? —Yes. Our interests are concerned with a particular class of accountants.

1496. That is all I meant. May I turn to paragraph **39.** Have you any evidence of a demand for the registration of accountants employed in industry, commerce and trade ?—As far as they themselves are concerned ?

1497. Or the public—either by the accountants or by the public ?—As far as the accountant in industry is concerned I do not think there is any desire at all for registration at the moment as far as he is concerned. If I had to give an expression of opinion as to what the views of these accountants are with regard to, shall we say, the registration of auditors, then I think they would be in favour of such a registration, because I think their view is that at the present moment documents or accounts may be passed about for any purpose with an audit certificate attached thereto. At the moment any person handling that document must judge for himself and satisfy himself what is the value of that particular certificate. On the other hand, if all public auditors were registered and had some certain definite minimum qualification, then at any rate every certificate given by a public auditor would have a certain definite minimum value, because it was the certificate of a public auditor.

1498. Speaking for your Institute, you would say that you would favour a Register of Auditors ?—Yes.

1499. But not for Accountants ?—No.

1500. Do you think that if you had a Register of Auditors the public would be able to differentiate between the work done by the two classes ?—I think so.

1501. And that if you had a register for auditors and not for accountants, accountants might not suffer in the eyes of the public because they were not on the Register ?—No, I do not think they would suffer provided the title given to the public auditor was a clear one ; that is to say, if it were some term such as, shall we say for example, "registered public auditor", without any reference to accountants or accountancy, then I think the public would appreciate the position quite well, particularly those who are concerned with accounts and accountancy.

1502. I follow your reason for a register of auditors. What would be the reason for not having a similar register of accountants ?—I think it would be extremely difficult. I cannot personally conceive any way in which it would be possible to establish a panel of registered accountants if that panel were to be of any real value as the profession is situated at the present time. We are faced with this position where there are so very many men who are definitely accountants working as accountants. The number is tremendously large. Are they all going to be put on the panel ? If so, the position is not so different from what it is today. If they are not going to be put on the panel, it seems to me it is going to be extraordinarily difficult to draw a line.

1503. On account of the difficulty of defining accountancy or because of the qualifications necessary ? —Yes.

1504. Would you say that at the present moment there are some men practising public accountancy who are not as efficient as others, and against whom the public should be protected ?—There are undoubtedly some.

1505. Do you think that the public should be protected, the small trader, for instance ?—Yes, I think that there are undoubtedly some people performing accountancy work as public accountants who should not be so doing.

1506. A Register to which entry was subject to the possession of qualifications, such as practice and possibly examination, would protect the public against these men ?—Yes, if it is possible to compile a satisfactory Register.

1507. (*Mr. Bellman*): In paragraph **28** of your Memorandum you refer to your membership. You were established, I believe, in September last ?—No. We were founded in the November preceding, but the incorporation dates from September of last year.

1508. When did you start enrolling members ?—Very shortly after the actual date of foundation, almost at the date of foundation, November, 1928.

1509. What was the number of founding members at the outset ?—The actual first move was made by quite a small group, but immediately we communicated with all those with whom we were in touch—it was decided to make a move because the step had been mooted for some time—we almost immediately were about 60 strong—within a few of 60. I do not guarantee the absolute figure.

1510. The rate of increase of your membership has accelerated a great deal in the last two or three months, has it not ?—Yes. We have increased largely in numbers during the last two or three months. We were of course growing rapidly much earlier than that. As I think I mentioned before, I think it was in the month of November last year that our normal increase was 60 a month. Of course, the intervention of Christmas and the New Year, when people have a lot of bills to pay and other things to attend to naturally resulted in a decrease in the rate, but after the month of January it is quite normal for the rate of growth to pick up again, and of course the increase in membership has been at an increasing rate right from the first moment of our foundation.

1511. I asked the question because when your Memorandum was prepared—that is a matter of recent history—you reported the number of members

* Appendix T.

as 450. Now you tell us it is over 600, so that the increase would certainly appear to have been rapid, more particularly during the last month or two. I think it is a fair question to ask if you have recently circularised the executive officers of certain undertakings inviting them to take up membership of your Institute ?—No, we never invite anyone to take up membership. The only thing we ever do is to bring to the notice of a company accountant the fact that this Institute exists, together with a statement of its objects and activities and the way in which application for membership can be made if he wishes to do so and considers himself qualified. We only give him an opportunity to apply for membership, we do not invite him to become a member. For example, we do not know until we get his application, and in any case it is a matter for the Council. On that point, with a new body it is quite obvious that it is useless to found it and then sit in the office ; you must let people know it is in existence and what its objects are, or it would be quite still-born, and it seems to me that the best and most dignified way is to give an indication to the particular class of man who is concerned, provided it is made in a proper manner, and in a dignified manner.

1512. (*Mr. Walker Clark*) : What accounts for the very great growth recently ?—As I have already mentioned, the membership has been growing at an increasing rate since the date of our foundation. I think probably the fact that the question of registration has been in the air is a factor in the recent rapid growth. I think it is a factor as far as a certain proportion of that increased membership is concerned, because naturally everybody who is in any sense of the word an accountant is naturally keenly interested as to what may happen. He has his own livelihood and career to safeguard. But I am quite certain that that large increase is not mainly due to the fact that the question of registration is in the air because, as I say, we had already, as early as November last, a membership increasing at the rate of 60 a month. Also, the rate of increase has increased, so that in the ordinary course of events by now our normal rate of increase would not have been much less than it is at the moment.

1513. May I put a rather blunt question ? I cannot very well think of it in any other way. Have you canvassed ? You say you communicated. Have you suggested in that communication that registration was possible ?—I imagine, first . . . . . .

1514. You have not put in a copy of that communication ; we do not know what it is.—Copies are here and are available. I think that every person who has any real interest in accountancy is already aware of the fact that registration is being considered. I think he is well aware, and well informed on the point. He can obtain that information first of all from the ordinary Press, secondly from all the professional papers, and he does so do. We have also told him the facts.

1515. Is it within your personal knowledge or that of your members that the administration of insolvent estates by incompetent persons is almost a scandal ?—Not to my knowledge.

1516. (*Mr. Kenneth Lee*) : How do you get into touch with the people to whom you write about becoming members ?—There is only one method in which we can get into touch with company accountants. We cannot advertise in the ordinary sense. The only thing we can do is to communicate with a company accountant.

1517. How do you find out their names ?—The only way in which we can do it is to take the names of suitable firms from whatever source they are available, to select them, and then to communicate with the accountant of that firm.

1518. You send a circular to the chief accountant of a firm ?—Yes.

1519. Will not those accountants in most instances be associated with some other organisation already?—In most instances, oh, no, most decidedly no. In some instances they are, but the proportion of such cases is very small. Secondly, in some cases where they are already associated with other bodies they are very pleased indeed to take an opportunity of becoming associated also with this one, because it is of use to them in the position they are now occupying if they are in industry.

1520. (*Mr. Scott*) : Following upon questions put just now, may I take it that you have no information as to the qualifications of the accountants of these different companies ; that is to say supposing you send your circular to the accountant of a company, he is probably, I assume, not personally known in any way to you ; have you any means of knowing his qualifications beyond the fact that he holds that position ?—We have this evidence before us. We have the fact that he holds the appointment of chief accountant to a particular concern. That is a fact which can be verified and which is verified. If he does not satisfy the Council on that point, he would not be admitted, so that that is something which is a matter of proved fact before he becomes a Member. Secondly, we have information as to the size and status of the particular concern. That can be judged by various figures such as the capital, turnover, and general status and reputation. In cases of doubt the onus is on the applicant for membership to prove the soundness of his case. We have these facts. Here is a man who holds the position of chief accountant to a firm of a certain definite size and standing. He has held that position for a certain number of years, which is stated. He has carried out his duties in a satisfactory manner ; that is also proved by documentary evidence, by certificates and so on from suitable people ; in the vast majority of cases, for example, as to the fact that he actually performs the accountancy duties of his company, and that his duties are carried out in a satisfactory manner, the average applicant will submit amongst other things the auditor's certificate. We then have those things. If the company is of reasonable status and size, and the applicant has discharged the duties of accountant to that company for a reasonable period of time, if his personal character and his past record and past experience are satisfactory, then I have no hesitation in saying that he is a satisfactory and competent company accountant.

1521. One quite recognises that that is quite an ordinary procedure in the early stages of bodies such as your own, but of course it permits of almost indefinite extension unless you are going to draw a limit some day to those admitted without, say, examination, or without some regular procedure.—Quite.

1522. I have in my mind at the moment one society in England which has a large membership, but of course everyone wanting to join now must pass the examination, with very few exceptions.—Quite.

1523. Is it your intention to limit your membership after you have established yourselves ? I am not suggesting there is anything out of the ordinary in any way ; you have established yourselves, it seems to me, on the ordinary procedure, but the point is, are you not going to draw a line, except in special cases where a man may have attained a certain position and you may be justified in electing him in a sort of honorary capacity ? I take it that later you are going to apply a fairly rigorous examination ?—It has always been the intention of the Council, from the very moment of foundation, that ultimately entry should be by examination only. One must not close the door too soon for two reasons. First, it is quite obvious that to carry on useful activities you must have a certain minimum membership. There is a second point. We are not only founding a new society, but to a large extent we are also organising a profession, in the sense that it has not been professionally organised before, and we have a great deal of work to do quite apart from the question of membership and building up the particular society. For example, take the great question of books. On many of the problems with which a company accountant has to deal, and on particular aspects of the work, and so on, there are at present no books which are really suitable for him, which meet his exact requirements, and so on. As an Institute we have to undertake the necessary research work and supply those publications. That has been under continuous consideration for a long time. Then again, as an Institute we depend very largely, in the first instance, for shall we say our technical skill and ability and technical knowledge, information on modern methods, and so on, upon the pooled resources and information of our best members, and, therefore, we should be much weaker as an Institute and as a profession if our door were closed before at any rate we contained within ourselves a substantial percentage of the really leading members of our profession, because they are a great source of strength. Generally speaking, they are keen and willing to help, and their knowledge, skill and experience are very useful in helping to bring up the general standard of the profession. They are a great help to the small man, and every day we get enquiries on particular points from our Members, enquiries as to the latest methods of procedure, and requests for advice on particular problems. Very often that information can only be obtained satisfactorily from our own members, and if we excluded certain people it would be a great loss to us and to our members also. But I can say quite definitely that there is no question as to the point that when we are in a reasonably representative position we shall definitely close our door and admission will be by examination only. That has been the intention from the day of foundation, and I think I am correct in saying that that is in the minutes of our first meeting.

(*Mr. Scott*) : That entirely answers my question.

1524. (*Mr. Wills*) : In Schedule 4 to your Memorandum* you give a list of firms whose accountants are Members of your Institute. Are they the chief accountants in each case ?—Yes.

1525. All through your evidence, when you refer to an accountant you mean a chief accountant ? In Schedule 3† you refer to " the accountant ". You mean the chief accountant, do you ?—Your first question was whether Schedule 4 refers to the chief accountant.

1526. It is only chief accountants who are members of your Institute ?—No. An assistant accountant may be a member of the Institute as an Associate. A distinction is drawn there. According to our Articles 7 and 8, a Fellow of this Institute must be the chief accountant of his company, but the assistant accountant may be admitted as an Associate.

1527. How many assistant accountants would there be to each chief accountant in the ordinary way ?—Usually only one.

1528. You can only have one Fellow from each company ?—Yes, that is the general position.

1529. And at the most, say, two Associates from one large company ?—It would be exceptional for there to be more than one Associate member from one company. You will appreciate that there are some concerns which are really tremendous in size, so that an assistant accountant there has a very responsible position as compared with the accountant of a much smaller company. But that would be the general position.

1530. I suppose that none of your members is in independent practice ? In the nature of things they cannot be ?—No, they are not.

* Not reproduced.
† Appendix T.

(*The Witnesses withdrew.*)

Mr. R. F. B. CROSS (*President*) AND Mr. F. J. ASHTON, representing the Faculty of Auditors, Limited, called.

The Committee had before them the following Memorandum by the Faculty of Auditors, Limited :—

MEMORANDUM No. 26.

1. The Council of the Faculty are of the opinion that it is highly desirable, both in the interests of the general public, and from the standpoint of the practising accountant, that the practice of the profession of accountancy be restricted and legalised. It is considered that only by such means can this profession, which involves such onerous duties and grave responsibilities to the commercial world, be given a proper status. Unfortunately it must be conceded that to-day the term "Accountant" is applied to many, who would not be accepted by any of the existing organisations, but at the same time are permitted to carry on in public practice. Upon the adoption of legally restricted measures, these would be bound to conform to those standards generally accepted by all bona fide accountants, or discontinue their activities.

2. Through the medium of a questionnaire, the Council have ascertained the views of the members in regard to certain aspects of the matter that must inevitably arise.

3. The first point to be considered is what will be the position of the members of the existing accountancy organisations, should a register be compiled ? It is suggested that all such members be included, provided they have been actively engaged in public practice for a minimum period of five years, and are still so engaged. This would appear to debar those accountants who are not in practice, but are engaged in commercial or other activities, and it is the contention of this Council that such persons should not be placed upon the same basis as those who are engaged in public practise. It cannot be gainsaid that there are many accountants employed in governmental, municipal, and commercial undertakings who are not in the least degree fitted by knowledge or experience to practise as public accountants. It is suggested that an alternative Register be compiled or a special section be created to embody these, and that an appropriate title be given them.

4. The Council consider that very careful attention should be given to the question of whether it is advisable to create a body similar to that of the legal profession, and restrict the practice of accountancy to its members, or whether the restrictive measure should be in the form of the suggested Register, under the control of a Board.

5. The adoption of the former method would tend to the consolidation of the profession as a whole, thereby reacting beneficially upon the commercial

community. This is the step that the Council strongly advocate, for it is their firm belief that by this means the highest traditions of the profession will be maintained.

6. If it is ultimately decided that the latter course be followed, then the matter of control of the Register is the all-important factor. The Council suggest that this be vested in a Board which should be comprised of at least one member of each of the existing accountancy organisations, thus assuring the representation of all interests. The Chairman of the Board should be appointed by the Government, and should not be connected in any way with the accountancy profession.

MR. R. F. B. CROSS and MR. F. J. ASHTON examined.

1531. (*Chairman*): What was the date of the formation of the Faculty of Auditors?—(*Mr. Cross*) We were formed in 1927, and incorporated in 1928.

1532. You are of quite recent growth?—Yes.

1533. What is the number of your members?—Close upon 200 at the moment.

1534. Have you different classes of members?—Fellow, Licentiate and Student.

1535. Do you hold any examination?—We have not instituted one yet, but there will be one instituted this year.

1536. So far, what has been the procedure for admission?—We have had, I should think, about 2,000 applications for membership, and we have only accepted something under 200 at the moment. Applicants must have been in public practice at least five years, or they must have been members of a recognised accountancy institution for at least five years. Mr. Ashton reminds me that the Council are insisting that the references given with each application must be from men of standing, professional men, in the ordinary course of events, of good standing. Ordinary references are not accepted. Commercial references are not accepted.

1537. I presume that your Members are in practice on their own account?—Yes, practically the whole of them.

1538. You exercise disciplinary control over your Members?—Yes. We have a Council.

1539. I take the first sentence of the first paragraph of your Memorandum of Evidence to mean that only such persons as are included in a Register established by law should be permitted to hold themselves out to the public and to practise as public accountants?—Yes.

1540. Do you think that the public suffer in any way from the present situation?—It is rather difficult to say, but I should think they must do.

1541. To your knowledge, has there been any demand from the public for registration?—Not to my knowledge.

1542. Later on in the same paragraph you express the view that there are a considerable number of persons practising to-day who are unqualified?—We have had a number of applications from many whom we could not accept.

1543. On account of their lack of qualifications?—They were not qualified, they were not qualified by experience, nor, from what we learned, were they—well, we could not accept them.

1544. Are those men doing work for the public at the present moment?—Oh yes.

1545. In your view the public are not able to discriminate?—No, I do not think the general public are.

1546. They are not able to discriminate between the qualified and the less efficiently equipped?—No.

1547. Do you think the public are suffering as a result of employing the latter?—Well, within my knowledge I think I can safely say that some have suffered.

1548. You would include on the Register every member of an existing accountants' organisation who had been in practice for five years and was still in practice?—I should be inclined to.

1549. I think that is what your Memorandum says?—Yes.

1550. You would contend that all the members of every existing society who have been in practice for five years are competent to carry out all the functions of an accountant?—We take it that the other organisations have been as careful as we ourselves have been, and that being so there is no reason why they should not be admitted.

1551. Would you propose to exclude from the Register persons who, although they are not members of any organisation, might nevertheless be competent to carry out the accountancy work they offer to do?—The Council were divided on that point. There are many fully qualified accountants who have never practised. Take Members of the Institute. They served their articles, they have had no experience of public practice, they have gone immediately into some big commercial undertaking or they have taken a Corporation appointment. It would be difficult to say that they were not qualified. They may not have the outside experience, but they are fully qualified men, or they should be. Some Chartered Accountants are of course men who have been articled but who have probably never gone beyond a bank. They served their articles, and train for their examinations at the same time.

1552. What would be his position in regard to the Register?—Personally, I should say he could not possibly have the requisite knowledge, but I should be very chary of excluding him.

1553. You would be chary of excluding him?—Very chary.

1554. Because?—He must have a fair knowledge of some branch of accountancy. (*Mr. Ashton*): Particularly theoretical.

1555. You would include him on the Register?—I would give him a chance.

1556. At the end of paragraph **3** you suggest a separate Register for accountants who are employees. I suppose you would not permit the accountants on this special Register to practise on their own account while in employment?—(*Mr. Cross*): I suggest that they should apply to the controlling authority for permission to practise if they desired to.

1557. In paragraph **4** you suggest, as an alternative to a Register, the setting up of a new association of accountants?—Probably we have worded that rather badly—what was intended was something similar to the Incorporated Law Society.

1558. What kind of controlling body would you propose, an elected one?—I think the view of my Council was, as the result of the questionnaire we sent out, that any controlling body should be comprised of members elected from the existing institutions.

1559. Would all the existing institutions furnish members?—Provided they were members of the new body.

1560. You would suggest a new body. Would the Faculty of Auditors come in?—I would suggest that that would be so.

1561. You think that *ipso facto* they would be members?—Yes.

1562. Would you include in it accountants now in practice who do not belong to any society?—On the controlling body?

1563. In the new association?—I think you would have to take the same standard that we take were there registration, that they should come under a separate heading. I think that when dentists were first registered there were qualified dentists and registered dentists. I am not quite clear there, but I think it is a fact, and I would suggest that we should adopt somewhat similar lines.

1564. If registration were decided upon?—If we had registration, or if we formed a body you would have to exclude . . . .

1565. If you had registration then you would have certain people on the Register, and others not on the Register who would be allowed to continue to practice?—They would not be on the Register, and, therefore, should not be permitted to continue in practice.

1566. (*Mr. Kenneth Lee*): What was the particular reason for the foundation of your society?—There was a demand by many people who were in practice and meeting at various audits. They considered they should be admitted by length of service to some organisation, as it was felt that the existing organisations did not quite meet their case. I do not wish you gentlemen to think that I am including the Institute or the Incorporated Society in that, but those to which probably we should be admitted without serving Articles. It was felt that they did not meet the case. I think our fees are higher than any of the existing organisations, much higher. Our annual subscription is five guineas. I think that the Institute's is only three guineas, while I believe the average is about one and a half guineas.

1567. I think you said that there were 2,000 applications already received for membership?—I should say, more, if anything.

1568. How did they come?—By advertisement in the first place.

1569. You advertised?—We advertised, the same as all the organisations have done at their start. We have had many applications from members of other associations or institutions.

1570. What would be the reason for applying for membership?—I do not know. I think they had the idea that we fulfilled their requirements, we had a higher standing than the institution of which they were members; and possibly the name had something to do with it; they thought possibly a Faculty might be more of an all-embracing body than the lesser organisation.

(*The Witnesses withdrew, and the Committee adjourned.*)

APPENDIX Q.

THE SOCIETY OF ACCOUNTANTS IN EDINBURGH.

GOVERNMENT APPOINTMENTS.

PARISH COUNCILS, COMBINATION POOR HOUSES, AND DISTRICT BOARDS OF CONTROL.

Appointments made by the Department of Health for Scotland.

Out of 88 appointments as auditor all are filled by Chartered Accountants with eight exceptions. Of these eight, five are Lawyers, two are Members of the Society of Incorporated Accountants and Auditors, and one is not attached to any Accountant Society (see Local Government Directory of Scotland, 1930). The Lawyers mainly act as auditors in places like Orkney and Shetland, which are far removed from the populous centres.

EDUCATION AUTHORITIES.

Appointments made by the various Authorities.

Out of the auditors of 37 authorities, thirty are Chartered Accountants and seven are not Chartered Accountants, being four Solicitors, one Member of the Corporation of Accountants, Ltd., one Member of the London Association of Accountants, Ltd., and one other.

(Information obtained from Scottish Education Department.)

BURGHS AND COUNTY COUNCILS.

Appointments made by Secretary for Scotland.

The appointments as auditor which are made by the Secretary for Scotland are filled, with one exception, by Members of the Societies of Accountants in Edinburgh, Glasgow, or Aberdeen, and by Members of the Society of Incorporated Accountants and Auditors.

(Information obtained from Scottish Office.)

APPENDIX R.

OBJECTS OF THE INSTITUTE OF COMPANY ACCOUNTANTS, LIMITED. (BY GUARANTEE.)

MEMORANDUM OF ASSOCIATION.

Clause 3.

(*a*) To acquire and to carry on the whole undertaking of the Institute of Company Accountants.

(*b*) To provide a special organization for Accountants in the employment of companies, banks, corporations, public bodies or other industrial or commercial organizations, and to do all things which may be deemed desirable from time to time to elevate the status and to advance the interests of the profession and members of this Institute.

(*c*) To separate and to keep quite distinct the two professions of Company Accountant and Public Auditor, and to confer upon the Company Accountant a definite professional Status.

(*d*) To unite the members of the profession into one Institute; to provide for the better definition and protection of the profession; to ensure the supply of thoroughly trained professional men by a system of examinations; and to give evidence of efficiency to those qualified to practise the profession by means of qualifying letters, a professional designation and certificates.

(*e*) To print, publish or issue any journals, books, booklets, papers or publications of any kind which may be of interest to and may promote the interests of members of the profession.

(*f*) To provide in any way for the education or training of students.

(*g*) To provide for members opportunities of intercourse, for the delivery of lectures, for discussion or for any activities which may promote the interests of the Institute and its members.

(*h*) To watch over, promote and protect the mutual interests of members and to do anything deemed desirable for the purpose of advancing the interests of Accountants engaged in industry, commerce, banking and trade.

(*i*) To assist necessitous members, or the widows, children or other dependent kindred of deceased members; to act as treasurers and distributors of any benevolent fund or funds which may be contributed by members or others for these purposes, or any of them, and subject to the provisions of clause 4 (prohibiting payments being made to members), to make any contribution out of the surplus assets or income of the Institute from time to time to any such benevolent fund or funds.

(*j*) To acquire, or purchase, or lease, and to have, hold, and dispose of any buildings to be used as an institute, college, lecture room or offices, or any other property, real or personal, for the advancement of the above objects, or any of them.

(*k*) To apply, petition for, or promote, and to join any other Institute, Society or Organisation in promoting any Act of Parliament, Royal Charter, or other authority, with a view to the attainment of the above objects, or any of them.

(*l*) To do all such other lawful things as are incidental or conducive to the attainment of the above objects, or any of them.

APPENDIX S.

THE INSTITUTE OF COMPANY ACCOUNTANTS, LIMITED. (*By Guarantee.*)

Numbers 27 and 28 of the Articles of Association.

27. Members must not use their membership of this Institute as a qualification for the work of a public auditor, and the Council may at its discretion take such disciplinary measures as any breach of this bye-law demands.

28. Should a complaint be made to the Executive Council, or should the Executive Council have reason to believe that the conduct of any member, either before or after his admission to the Institute, has been of such a nature as to be prejudicial to his professional status, or to the interests or reputation of the Institute or its members, the Executive Council may give seven days' notice in writing posted to the last registered address of the alleged offending member, requiring him to attend in person before a meeting of the Executive Council specially summoned to deal with the matter. The Executive Council may impose such penalties as it thinks fit, and the Executive Council's decision shall be accepted by the member. The Executive Council shall have power to expel a member or to suspend his membership, and may at their discretion reinstate the member at any time. Notice of the decision of the Executive Council shall be posted to the last registered address of the alleged offending member within seven days of its promulgation by the Executive Council.

APPENDIX T.

THE INSTITUTE OF COMPANY ACCOUNTANTS, LIMITED. (*By Guarantee.*)

Numbers 7 and 8 of the Articles of Association.

7. No person (except as provided by these presents) shall be eligible for admission as a Fellow of the Institute unless he has shown, to the satisfaction of the Executive Council, that he was at the date of his application employed as the accountant of a Company, Bank, Corporation, Public Body or other industrial or commercial organization, or has been an Associate of the Institute for a period of not less than five years, or has passed the examinations for the admission of members hereinafter mentioned.

8. No person (except as provided by these presents) shall be eligible for admission as an Associate of the Institute unless he has shown, to the satisfaction of the Executive Council, that he was at the date of this application employed as the accountant or assistant-accountant of a Company, Bank, Corporation, Public Body or other industrial or commercial organization, or has passed the examinations for the admission of members hereinafter mentioned and has fulfilled any conditions as to experience which the Executive Council may prescribe by bye-law from time to time.

APPENDIX V.

THE INSTITUTE OF COMPANY ACCOUNTANTS, LIMITED. (*By Guarantee.*)

Extracts from Examination Regulations and Syllabus.

1. The Qualifying Examinations shall be:—(*a*) The Preliminary Examination; (*b*) The Intermediate Examination; (*c*) The Final Examination.

2. The Preliminary Examination shall include the following subjects:—

(*a*) English, Grammar and Composition.
(*b*) Arithmetic.
(*c*) English History or Geography.
(*d*) Mathematics: Algebra and Geometry.
(*e*) One of the following:—Latin, French, Science, Economics or Spanish.

3. The Intermediate Examination shall include the following subjects:—

(*a*) Book-Keeping and Accounts (General)...	3 hours.
(*b*) The Book-Keeping and Accounting of Companies, with special reference to Departmental Manufacturing Accounts, Group Accounts and Branch Accounts	4 hours.
(*c*) Business organization, with special relation to Companies	2 hours.
(*d*) Economics	1½ hours.
(*e*) Mercantile Law	1½ hours.
(*f*) Company Law	2 hours.

4. The Final Examination shall include the following subjects:—

(*a*) Company Accounts	4 hours.
(*b*) Costing	2 hours.
(*c*) Income Tax, with special relation to Companies	2 hours.
(*d*) Economics	2 hours.
(*e*) Business Organization and Statistics	2 hours.
(*f*) Preparing for Audit and preparation of Reports	1 hour.
(*g*) Company Law	2 hours.

5. The Fees payable on application to sit the Examinations shall be:—Preliminary £1 1*s.* 0*d.*; Intermediate £2 2*s.* 0*d.*; Final £3 3*s.* 0*d.*

6. Candidates may be exempted from the Preliminary Examination on production of a Matriculation Certificate or of such other evidence of fitness as may be required by the Council.

7. Candidates passing or exempted from the Preliminary Examination must be registered as students, and may attend Local Meetings at the invitation of the Institute. Registered Students shall pay a Fee of 10*s.* 6*d.* per annum.

8. Exemption from the Intermediate Examination shall only be granted by the Executive Council at their discretion in accordance with Article 16 of the Articles of Association.

9. The Fees payable upon application for exemption from Examinations shall be the same as the Fees for sitting the respective Examinations. Applications must be made on the Forms prescribed.

10. The Examinations shall be held on the Thursday, Friday and Saturday of the third weeks of May and November in each year.

University Courses.

Students may apply to the Institute for permission to attend the Courses of the Faculty of Commerce in the University of Birmingham in the following Subjects, and on such permission being granted, and upon the Student passing the Internal Examinations of the University of Birmingham in those Subjects, and subject to the Institute receives a satisfactory report from the Dean of the Faculty of Commerce, the Student will be granted a pass in those Subjects without sitting for them at the Institute's Examinations. The Institute strongly recommend Students to attend these Courses in the University in all cases where it is possible for them to do so.

The subjects to which this concession applies are:—

At the Intermediate Examination:—(*a*) Book-Keeping and Accounts (General); (*d*) Economics; (*e*) Mercantile Law; (*f*) Company Law.

At the Final Examination:—(*d*) Economics; (*e*) Business Organization and Statistics; (*g*) Company Law.

Students wishing to take the courses of the University in these subjects in lieu of sitting for them at the Institute's examinations must communicate with the Institute in the first instance.

It is hoped to extend the above facilities to other Universities and students residing in any city in which there is a University granting a Degree in Commerce may communicate with the Institute, who will extend a similar concession to them with regard to their local University if it is possible to make the necessary arrangements.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

FIFTH DAY.

(Afternoon Session).

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERICK EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE
7th February, 1930.

FIFTH DAY.

Thursday, 1st May, 1930.

Afternoon Session.

PRESENT:

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C.
(*Secretary.*)

MR. EDMUND LUND, M.B.E., F.S.A.A. (*President*) (*City Treasurer, Carlisle*), MR. WILLIAM BATESON, A.C.A., F.S.A.A. (*Past President and Chairman of Examinations and Membership Committee*) (*Borough Treasurer, Blackpool*), and MR. F. OGDEN WHITELEY, O.B.E., F.S.A.A. (*Past President*) (*City Treasurer, Bradford*), representing the Institute of Municipal Treasurers and Accountants (Incorporated), called.

The Committee had before them the following Memorandum by the Institute of Municipal Treasurers and Accountants :—

MEMORANDUM No. 27.

1. The Council of the Institute have considered the question of the registration of accountants and submit the following memorandum of evidence thereon to the Departmental Committee.

I.—*The Organisation of the Institute.*

2. The Institute of Municipal Treasurers and Accountants was established in 1885 and incorporated in 1901. Its principal objects, as set out in its Memorandum of Association, are as follows :—

(*a*) To discuss questions relating to the finance and accounts of municipal corporations and other similar authorities, and to interchange opinions and experience of its members.

(*b*) To obtain from members and other sources information relating to municipal finance, accountancy and statistics, and to disseminate such information amongst the members of the Institute by means of its journal, "The Financial Circular", or by means of circulars, publications or otherwise.

(*c*) To afford the legislature, public bodies and the Press information on municipal finance, accountancy and statistics.

(*d*) To improve the technical and general knowledge and elevate the status of persons engaged in or about to engage in the profession of municipal treasurer or accountant and with a view thereto to test by examination in the law relating to Municipal and Local Government, Municipal Finance, Accountancy, Statistics and cognate matters the competence of such persons, and to award prizes, certificates and distinctions for efficiency in such subjects, and also to accept trusts and administer the funds thereof for the purposes of scholarships, grants, and other benefactions . . . .

3. Both by the terms of its constitution and by its traditions, the Institute does not in any way concern itself with the personal interests of its members but deals solely with professional matters of local government finance, in which capacity it acts on behalf of the local authorities whom its members serve.

4. The Institute's main activities consist of :—

(*a*) The holding of an annual conference lasting three days which is attended by nearly 500 elected representatives and Chief Financial Officers of local authorities in Great Britain.

(*b*) The organisation of six branches which meet monthly for the discussion of professional problems.

(*c*) The organisation of five Students' Societies (of which there are also eleven local sections) having a total membership of over 3,000, for the professional education of the younger members of the local government financial service.

(*d*) The holding of annual examinations in seven centres.

(*e*) The publication of a monthly journal entitled the "Financial Circular" and of memoranda and reports on special subjects.

5. The work of the Institute is carried on by a Council consisting altogether of fourteen Chief Financial Officers, who meet nearly every month to discuss professional problems and new developments, to give advice to members on points submitted to them, and generally to direct and control the Institute's activities. The Institute has been recognised for many years by the Government Departments concerned with the work of local authorities and the Council are in frequent consultation with officials of the Departments on matters of mutual concern.

6. The total membership of the Institute (excluding membership of Students' Societies) is as follows :—

Honorary Members...	287
Fellows	286
Associates	356
Students	381
Total ...	1,310

7. Honorary Members are members of town, county and district councils nominated by their respective councils. Many of them attend, and take an active part in, the discussions at the annual conference. In addition there are a few former Fellows of the Institute who have been elected to honorary membership in recognition of their special services to the Institute. Honorary Membership confers no rights or voting powers in connection with the affairs of the Institute.

8. A Fellow of the Institute must occupy a whole-time appointment as the Chief Financial Officer of a

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Municipal Corporation, County Council or District Council. Admission to Fellowship is by election by the Council, but it has been the Council's policy for some years past to elect to Fellowship only Chief Financial Officers who are already Associates of the Institute. Only very occasionally has any exception to this rule been made and that where altogether unusual circumstances have been present.

9. Associates are persons holding whole-time appointments in the finance department of a local authority who have passed the Final Examination of the Institute. Admission to Associateship has for many years been strictly confined to persons fulfilling this qualification. Associates have the same powers and voting rights in connection with the Institute as Fellows, but are not eligible for election to the Council.

10. Students are persons who have passed the Intermediate Examination of the Institute and are engaged in the finance department of a local authority. They have no rights in connection with the Institute.

11. The Institute has conducted examinations since 1903. The examinations at present held are the Preliminary, Intermediate and Final. Copies of the Regulations and Syllabus of the Examinations accompany this Memorandum.* The Preliminary Examination is a test of general knowledge and exemption therefrom may be obtained upon production of a recognised educational certificate. The certificates recognised for this purpose are of Matriculation or School Certificate standard and in two years' time the Preliminary Examination will be discontinued and admission to the Intermediate Examination will be wholly limited to persons who possess such a recognised certificate of general education.

12. The Intermediate Examination is the first examination in professional subjects, the list of subjects being as follows :—

Auditing.
Book-keeping and Accounts.
Costing.
General Commercial Knowledge.
Law.
Local Government Finance.

In all subjects except that of Local Government Finance the syllabus of the Examination is not limited to the local government aspect of the subject but extends to the general and commercial aspect.

13. Exemption from the Intermediate Examination is granted to University Graduates in Commerce or Administration and to Chartered or Incorporated Accountants.

14. The Final Examination consists of two parts, which may be taken together or at different sittings, provided that in the latter event the candidate must pass in both parts within a period of two years. Each part of the Examination lasts two days and the syllabus is as follows :—

Part I—Banking and Public Finance.
Economic Science.
Law.
Statistics.

Part II—Accountancy.
Auditing.
Costing.
Local Government Finance (General).
Local Government Finance (Essay).

15. It is believed that the standard of the examinations, particularly that of the Final, is among the highest of those conducted by professional societies. The range of subjects, no less than the scope of each subject, is very wide and to obtain a pass in the Final Examination a candidate must show that he possesses sufficient knowledge to fit himself for the position of a Chief Financial Officer.

* Not reproduced.

16. The number of candidates and the percentage of passes at the examinations held during the last five years is set out below :—

	Preliminary.		Intermediate.		Final.	
	Number.	Percentage of passes.	Number.	Percentage of passes.	Number.	Percentage of passes.
1926	184	34	175	44	125	26
1927	200	60	189	35	138	33
1928	197	54	246	33	161	24
1929	231	42	312	25	Part I 164	20
					Part II 167	15
1930	249	36	376	40	Part I 168	33
					Part II 151	44

17. The passing of the Final Examination is generally recognised among local authorities as the most important qualification to be required of candidates for the appointment of Chief Financial Officer or of senior assistant in the finance department, and it is now rare for advertisements of such vacant appointments not to contain a reference to the Institute's qualification. A similar position as regards junior appointments is occupied by the Intermediate Examination.

18. The Final Examination is among those recognised by the University of London as a qualification for admission to the Modified Matriculation Examination.

II.—*The Need for Registration of Accountants.*

19. The need of registration for the accountancy profession will, it is assumed, be presented to the Committee by other witnesses and the Institute does not wish to attempt to cover in this Memorandum ground with which the Committee will be already familiar. It is desired, however, to place on record the very definite conviction of the Institute that registration would be in the best interests of the general public.

20. There are, however, two special points affecting local government finance which the Institute desires to mention briefly. The first of these is the work undertaken by accountants in auditing the accounts of Municipal Corporations. It is well-known that the statutory provisions of the Municipal Corporations Act, 1882, regarding the appointment of elective auditors have generally failed to achieve the desired end and are now out of harmony with existing conditions. To remedy such a state of affairs many Corporations have appointed firms of practising accountants to audit their accounts. As a body the Institute does not wish to indicate any preference for one form of audit over another, provided that the audit is efficient, but it desires to draw attention to this tendency (which appears to be increasing) to appoint firms of accountants to audit municipal accounts and to suggest that this furnishes an example in the special sphere of local government work of the recognition accorded to the profession of accountancy and to the necessity for ensuring proper control over the profession.

21. Secondly, reference should be made to the position occupied in the organisation of a local authority by the Borough Treasurer or Accountant. The duties of this official have increased enormously during recent years ; the position is a very responsible one and demands a wide knowledge of accountancy and financial administration. Most of the Chief Financial Officers of local authorities are Fellows of the Institute, but the Institute is of opinion that in any scheme of registration that may be propounded, recognition of their claims for admission to the

Register should be accorded. This aspect of the subject is referred to later in this Memorandum, but it is felt that it should be taken into consideration at an early stage of the discussion.

III.—*Registration in relation to the Institute.*

22. In considering the effect of registration on the Institute, it has been assumed that any register of accountants would be limited to those who were not only qualified for admission but were actually engaged in practice as accountants. In this connection the Institute desires to submit very strongly, if it be decided to limit the register to practising accountants, that *all those present members of the Institute who occupy the position of Chief Financial Officer to a Local Authority should be regarded as being qualified by their membership of the Institute for admission to the Register and further, should be entitled to consider themselves as being in practice.*

23. Members of the Institute must, except in the cases of certain university graduates and chartered and incorporated accountants, have completed 5 years service in the finance department of a local authority before having been admitted to the Final Examination, so that this submission would not involve the admission to the Register of persons without a proper degree of training or experience. Further, the official duties of a Borough Treasurer or Accountant require him to have a wide and detailed knowledge of accountancy, including the various affairs connected with a public utility undertaking, together with a practical knowledge of bankruptcy, liquidation, taxation, valuation and cognate matters appertaining to the practice of accountancy.

24. In this connection the Institute desires to draw attention to the attitude adopted by the Society of Incorporated Accountants and Auditors who, under their regulations, recognise as a public accountant the Chief Financial Officer of a municipal corporation or county council. By virtue of this regulation Chief Financial Officers who are Incorporated Accountants may grant articles to clerks engaged in the work of their department.

25. The Institute submits that the work of the finance department of a local authority consists very largely of duties which are either strictly accountancy or auditing and that this condition entitles those Members of the Institute who occupy the position of Chief Financial Officer to a local authority to be regarded as being in practice as accountants, particularly when regard is had to the syllabus and standard of their examinations and to the position in which existing Members will be placed if registration be decided upon and they are denied admission to the Register.

26. In addition the Institute desires to make a similar submission regarding present Associates of the Institute who may subsequently succeed to the position of Chief Financial Officer to a local authority. Their position as regards qualifications and as regards the effect of registration upon their status appears to be the same as that of present members who are already Chief Financial Officers and it is felt that it would be both logical and reasonable to extend the same degree of protection to them. The Institute submits therefore that all present Associates of the Institute should, upon being appointed to the position of Chief Financial Officer, be considered to be both qualified for and entitled to admission to the Register as accountants in practice.

27. As regards future Members of the Institute, it is felt that their position in connection with registration is somewhat different from that of existing Members, as the former will be aware of the conditions under which they may decide to take one set of examinations in preference to another. While the examinations of the Institute cover a good deal of the ground of those of the examining bodies in general accountancy, the Institute would not claim that, according to the present syllabus, they cover the whole of such ground and it would be reasonable therefore to require from future Members of the Institute evidence that they are qualified in those branches of general accountancy which are not fully covered by the Institute's examinations.

28. It may be premature at this stage, without knowledge of the exact scheme of qualifications for registration, to attempt to suggest how this matter could be dealt with in practice, but the general conclusion to which the Institute has arrived is that future Members of the Institute seeking admission to the Register should be required to take only those subjects of the Final Examination, which it is assumed will be conducted by the Register Committee, that are not covered by the syllabus of the Institute's examinations. While this matter may perhaps be almost beyond the purview of the present Committee, the Institute believes that it may be helpful to them to have this indication of the attitude which the Institute would adopt in the event of the establishment of a Registration Committee with power to settle questions of qualifications and to hold examinations for this purpose.

29. Further, the Institute desires to submit that (subject to the observations in the preceding paragraph as to qualification by examination) future members of the Institute should be entitled to admission to the Register upon obtaining the position of Chief Financial Officer to a local authority. This submission is based on the nature of the duties performed and the status of the position occupied, and the Institute does not think that any distinction in this respect should be drawn between present and future Members.

30. In view of its special position, the Institute does not feel called upon to submit detailed evidence on the practical aspects of registration, but its witnesses will be pleased to answer any questions thereon that may be raised by the Committee. It may, however, be said that the Institute would welcome the degree of protection that registration would afford in the matter of status, designations and descriptive initials and that it would be willing to accept any reasonable suggestions regarding disciplinary control and control or co-ordination of examinations recognised for future admission to the Register.

31. It is believed that this Memorandum covers the main aspects of the question of registration with which the Institute is concerned. The Memorandum has purposely been drawn as briefly as possible in the belief that this will be appreciated by the Committee and in the hope that the Institute's representatives will be given an opportunity of appearing before the Committee and of amplifying and explaining any matter upon which further information may be desired.

31*st March*, 1930.

Mr. EDMUND LUND, Mr. WILLIAM BATESON and Mr. F. OGDEN WHITELEY examined.

1571. (*Chairman*) : Mr. Lund, we have received your Memorandum of Evidence. I do not know if there is anything you would like to add to it ?—(*Mr. Lund*) : We have set out in our Memorandum the salient points of our considered opinion on this matter and I think we would prefer now to answer any questions that may be put to us on it.

1572. May I take you to paragraph **9** where you say : "Admission to Associateship has for many years been strictly confined to persons fulfilling this qualification" i.e. the qualification mentioned at the beginning of the paragraph. For how long has that been so ?—I think we can take it as being nine or ten years.

1573. Before that, it was wider, was it not ?—Only to a very limited extent. It must not be supposed that there was a time when we were admitting people without examination and then suddenly closed our doors. There had been a great deal of tightening up for many years, even prior to the period of which I speak, and it was only in exceptional circumstances that admission to the Institute other than by examination was permitted at all.

1574. In regard to paragraph **13**, are many Chartered and Incorporated Accountants Members of the Institute ?—Yes. 282 of our Members are either Chartered or Incorporated Accountants : that is out of a total membership of 642 at the present time. Taking that figure further, of the 282, 166 are Chief Financial Officers of Local Authorities, that is, Treasurers or Accountants of their Local Authorities, and 116 are Assistants to Chief Financial Officers.

1575. In paragraph **19** you say : "It is desired, however, to place on record the very definite conviction of the Institute that registration would be in the best interests of the general public." May I ask what you mean by registration ; have you restrictive registration in mind ?—In our work we do come across cases where people who do not really hold any accountancy qualification at all yet hold themselves out as practising accountants are dealing with matters, and sometimes we do find that they are dealing with them not very capably. We do regard it as being definitely in the interests of the public good, that some more stringent methods should be adopted, and we think it could be best effected by registration.

1576. That is not quite an answer to my question. My question was whether you contemplated restrictive registration, that is to say, that no one should practise at all unless he was on the Register, or whether you had in view a registration scheme under which certain accountants would be able, on compliance with the regulations, to secure registration, and the others although not on the Register would nevertheless be allowed to carry on their practice ?—I think we would prefer to have a Register of accountants and only those persons on the Register to be allowed to practise.

1577. Have you any evidence that the kind of accountant to whom you have just referred is doing work for the public ?—I can cite one case that has come within my knowledge quite recently, a man who was dismissed from his employment for reasons of insobriety and also, I believe, for incompetence ; that man, to my knowledge, has set up as a public accountant and is advertising as such.

1578. And probably, or possibly, getting employment ?—Undoubtedly ; employment of a particular nature because it is not, of course, the large firms who would be attracted to a man of that type.

1579. He might be employed by a small trader to do his books ?—Yes.

1580. In your view, the public need to be protected against that class of accountant ?—That is so.

1581. Do you know of any demand from the public for such protection ?—It is rather difficult, I think, to answer that question, because I am afraid the public themselves do not all realise the importance of the matter. It is really that we who know more about it are trying to protect the public against themselves.

1582. Your view is that the public are unable to discriminate ?—That is so, in many instances. (*Mr. Whiteley*) : I should like to supplement that, if I might. From my own experience, there are three men who have been Elective Auditors in my own City who are without any accountancy qualifications whatsoever. One of them was an Elective Auditor for a dozen years. He did a certain amount of promiscuous accounting work, but his main business was collecting doctors' accounts from poor people, threepence and sixpence a week.

1583. He was elected ?—He was elected as an auditor year by year for at least a dozen years.

1584. An auditor of what ?—The accounts of the Corporation. Another man was also elected as an auditor and held the position for several years. He held himself out as a professional accountant, but he had no training as an accountant at all. He got into difficulties with the Surveyors of Taxes in regard to the returns he submitted with the result that the Surveyors of Taxes in Bradford refused to accept any returns from him and ultimately that man had to go to prison for irregularities in his accounts. That is my personal experience in two cases of men who have been for a number of years Elective Auditors of the City accounts.

1585. Supposing there was registration, in your view, of course, neither man ought to be on the Register ?—I would like to say in that connection that, although these gentlemen were elected year by year under the provisions of the Municipal Corporations Act, my Corporation have for twenty years, without any specific powers, appointed in addition professional auditors, but in 1925 they approached Parliament, not merely to get a confirmation of their right to appoint professional auditors, but to dispense altogether with the necessity for Elective Auditors under the Municipal Corporations Act, 1882 ; and since 1925, following on the experience my Corporation have had of Elective Auditors, they have ceased to have any election of auditors and have relied entirely upon professional auditors appointed by them under their special powers.

1586. What would the first man you mentioned be doing now ?—He is collecting doctors' accounts and I do not know that he is doing much else.

1587. If registration were adopted, your desire would be to keep men of that kind off the Register ?—Yes, definitely, both of them.

1588. I thought that that would be your view in regard to the second case, but the first seemed a little more difficult because the man would presumably be regarded as being in practice, a practising accountant, working on his own account ?—Yes ; he does call himself an accountant.

1589. And he, naturally, would desire and attempt to come on the Register, if there was one ?—I do not know on what ground he could claim it, except to say that he was practising as an accountant.

1590. If he had been practising for a certain number of years as a public accountant ?—If this Committee, and the Legislature, following any decision or recommendation of this Committee, were to decide that the door should be left open and that men of that type should come in, we are quite sure steps would be taken to prevent a recurrence of such admissions in future.

1591. As regards paragraph **20**, there is no Parliamentary control, is there, over the appointment of auditors by Municipal Corporations ?—No, My Lord, except that in those cases where powers have been sought and obtained, and I think there are between seventy and eighty cases where municipal corporations have gone to Parliament and sought powers, they have, with the exception of two cases which have happened in this present session, been restricted entirely to Chartered and Incorporated Accountants.

1592. Because, at the end of the paragraph, you suggest the need for ensuring proper control ?—(*Mr. Lund*) : We do not suggest that there should be any control over the Elective Auditors ; we are not suggesting that they would be brought within the sphere of any Registration Act at all, except in so far as they were members of a recognised professional body.

1593. Are you suggesting that it should be only members of a recognised professional body who should be on the Register ?—Certainly. We would never hold that a man, merely by reason of being an Elective Auditor, should be eligible to be registered as an accountant.

1594. But you would recognise that there are men who are in practice on their own, who have had years of experience, who would be eligible to be on the Register, although they did not belong to one of the professional societies ?—They might be eligible to make application to be on the Register, but we are not so much concerned with them as with our own particular problem, the Members of our own Institute. That is a matter about which I suppose you will hear evidence.

1595. You would not think it fair, would you, to take the bread out of the mouths of a large number of men who had been in public practice on their own ; men who may not belong to a society, but still were competently and efficiently carrying on their work ?—We have not really considered that point. We are more directly concerned with the position of our own Members. (*Mr. Bateson*) : If you want an opinion on the general question of the closing of the accountancy profession against charlatans, I think we have confirmed views on that matter, more particularly as regards the protection of the public. There may not be a public demand in so far as it is expressed in any specific pronouncement, but we do think the public ought to be protected against the employment of incompetent persons, or persons who are not trained in the specific work of accountancy.

1596. "Ought to be," means, I take it, "need to be" ?—Need to be. As regards the question of the admission of persons to the proposed Register, that, I assume, would depend upon the qualifications which those persons gave evidence of possessing, if they made application to be placed on the Register.

1597. My point was that you would have no objection, provided persons outside the societies could produce these qualifications, to their being on the Register ?—(*Mr. Lund*) : No, I do not think we should have any objection. (*Mr. Bateson*) : That would be a matter entirely within the discretion of any organisation set up to deal with the problem. As regards the question of the qualifications of persons appointed to audit the accounts of Municipal Corporations, Elective Auditors, or the Mayor's Auditor, if an accountancy qualification were needed in those specific cases, I take it that the statute now operating would be amended so as to provide for that very desirable contingency.

1598. In paragraph **22** you say : "all those present Members of the Institute who occupy the position of Chief Financial Officer to a Local Authority should be regarded as being qualified by their membership of the Institute for admission to the Register and, further, should be entitled to consider themselves as being in practice." What is the scope of your reference to a Local Authority ?—(*Mr. Lund*) : Our present membership comprises officers of Municipal Corporations and also Urban District Councils and County Councils.

1599. I see in paragraph **27** you say you do not claim that your examinations would cover the whole ground of accountancy ?—Our examinations are very extensive now. A copy of the syllabus has been handed in, and a glance at that will show what I mean. It is contained also in the Memorandum, paragraphs **12** and **14**, but in regard to the future we are prepared to say that, in so far as our examinations may fall short of the standard that may ultimately be required, our examinees should take an additional examination, the extent of which is to be determined, before being admitted to the Register.

1600. You think that the Chief Financial Officer of a Local Authority should be regarded as qualified for registration ?—That is our considered view ; that is, of course, in so far as he is a Member of our Institute. (*Mr. Bateson*) : I think Your Lordship and the Members of the Committee will be aware of the duties and responsibilities of, and the technical knowledge which is needed by the Chief Financial Officer of a Local Authority in the handling of the many financial problems with which he is called upon to deal. I need hardly remind Your Lordship of the important trading undertakings owned and carried on by municipalities, such concerns as gas works, electricity supply works, tramways, markets, baths, housing, and so on. These obligations grow year by year, owing to the growth and development of social legislation. The income tax problems with which he has to deal are very important matters ; questions of banking, the raising of loans for local authorities of large sums of money. If I may do so, without unduly making distinction, I would say that the knowledge required by the Chief Financial Officer of a Municipal Corporation is such as to justify his inclusion in a Register of practising accountants. You will see, by reference to our examination syllabus* the very wide and important character of the subjects with which we deal, more particularly in the Final Examination of the Institute. They include public finance, economic science, the law and practice relating to local government finance, and many matters with which accountants in private practice have to deal ; for instance, knowledge of the bankruptcy law and the winding-up of companies, executorship law and a host of other kindred matters. The preparation of cost accounts for all our departments generally falls under the control of the Chief Financial Officer and it would be a very short step outside our syllabus for our Chief Financial Officers to acquire the additional knowledge of other subjects with which the private practitioner has to deal. Our municipalities are really great business undertakings to-day and, so far as one can see, they are likely to be more so in the future.

1601. I see that you say in paragraph **22** : "In this connection the Institute desires to submit very strongly, if it be decided to limit the Register to practising accountants, that all those present members of the Institute who occupy the position of Chief Financial Officer to a Local Authority should be regarded as being qualified by their membership of the Institute for admission to the Register and further, should be entitled to consider themselves as being in practice" ?—(*Mr. Lund*) : As a matter of fact, at the present time, the Society of Incorporated Accountants and Auditors recognise as accountants in practice those Chief Financial Officers who are Members of the Society. Chief Financial Officers have the right of electing whether they shall be described as accountants in practice, or otherwise ; that principle was adopted in 1911 and we ask for its continuance. It was in 1911 that a Bill was put forward by the Institute of Chartered Accountants and the Society of Incorporated Accountants for the registration of accountants.

1602. (*Mr. Bellman*) : I see you have 287 honorary members. May I assume you would not propose that those honorary members should be admitted to any Register that may be established ?—That is not intended.

1603. There is also a point arising on paragraph **8.** It is quite clear that a Fellow of the Institute must occupy a whole-time appointment as a Chief Financial Officer of a Municipal Corporation, County Council or District Council ?—That is so.

1604. From the following paragraph I see that Associates must also hold whole-time appointments, but the same qualification is not mentioned in paragraph **10** with regard to Students ; I take it they must do so ?—Yes.

1605. I was anxious to discover whether there were perhaps in some of the smaller municipalities those who, while being registered as Students, might not be giving their whole time to the Local Authorities ?

*See paragraphs **12** and **14** of Memorandum No. 27.

—(*Mr. Whiteley*): There is no case whatever. (*Mr. Lund*): It is also pointed out at the end of paragraph **10** that our Student Members have no rights in connection with the Institute.

1606. (*Mr. Walker Clark*): You think that the Chief Financial Officer should be on the Register ?—That is so.

1607. And is it not the fact that these officers are usually recruited from those who serve under Chief Financial Officers ?—It is the rule, and I think we can take it almost as an accepted fact that all the persons appointed to the higher positions are, in fact, recruited from those who are juniors or holding some junior position either as deputy or assistant in the same office or in the office of some other Local Authority.

1608. And in most cases have never passed an examination of any kind ?—Absolutely, no; it is quite the contrary; all our Associates are required to take the examination.

1609. I did not say your Associates; I am speaking now of the men who are appointed as Chief Financial Officers ?—In my experience, the men who are now appointed to the chief positions under Local Authorities, as Treasurers or Accountants, in I might say ninety-nine per cent. of the cases have qualified by examination as Members of the Institute of Municipal Treasurers and Accountants.

1610. I am surprised to hear the percentage.—(*Mr. Whiteley*): There is no doubt that an overwhelming majority have passed the examination before they are appointed as Chief Financial Officers. There may be odd cases, but they are quite negligible. (*Mr. Bateson*): There are very few cases in this country to-day.

1611. What about Wales ?—Wales is gradually coming to a higher standard. There are very few cases in which where an appointment for a Chief Financial Officer, or Assistant, is advertised it does not require that he shall have passed the examinations of the Institute of Municipal Treasurers and Accountants. If I may express an opinion, I think a Local Authority to-day would not be acting in the best interests of the Public if it did not require evidence of this kind, because of the enormous expansion of the powers of Local Authorities and the absolute necessity for scientific training for the holding of this office. We have grown up in the service. Some of us are getting a little ancient in it. We have closely followed the development of this work and it is a fact that almost every technical officer must possess the qualification of membership of the Institute of Municipal Treasurers and Accountants. It is a very searching examination both as regards the educational standard, and otherwise. It has been my privilege to be Chairman of the Examination Board for many years, so that I am able to speak with some authority in regard to this matter. I should say it is the exception rather than the rule for principal assistants not to be qualified men.

1612. I notice in paragraph **13**, you give exemption to those who hold a University degree, or those who are Chartered or Incorporated Accountants. Are there any other organisations appropriate for exemption ?—(*Mr. Bateson*): You will see that is limited to the Intermediate Examination and does not apply to the Final Examination.

1613. But they must pass the Intermediate before they take the Final ?—There is this qualification, that in our constitution, the Memorandum of Association under which the Institute is established, there is provided a right on the part of a Member of the Institute of Chartered Accountants, or the Society of Incorporated Accountants and Auditors to sit for our Final Examination only.

1614. That I understand, but the question I asked was whether there were any other organisations besides the Universities and the two bodies mentioned that were recognised for the purpose of granting exemption ?—We have not had applications from any other organisations to be included.

1615. You do not think there are any others ?—I would not go so far as that, but there have been no applications of any kind. The Council of the Institute has a specific right to grant exemptions—no doubt you will have seen that in our Rules—but it is a privilege very seldom exercised, and the Associates and Students of the Institute watch the work of the Council very closely and we hear of it if a proposal is made to admit any Member into our organisation who has not gone through the educational and examination tests. They have pronounced views on this matter.

1616. (*Mr. Kenneth Lee*): Would you agree that the desirability of registration is for the protection of the public ?—(*Mr. Lund*): Yes.

1617. If it is for the protection of the public why should it be necessary or why should it be desirable for Members of your Institute to be on the Register if they do not practise publicly ?—(*Mr. Bateson*): We do practise and although we work as it were for a single employer—the Local Authority—still I contend that nevertheless our work is accountancy in practice and that we are practising accountants. We have other cases which illustrate it. For instance, the Medical Officer of Health and the School Dentist: although they work for the Local Authority, they are nevertheless practising their professions.

1618. I was thinking of the protection of the public from the point of view of the small trader who perhaps does not know how to choose a suitable accountant. He would not choose a Member of your body ?—No, that is rather a different aspect of the matter, I should hope. So far as our Members are concerned, we hold very strongly that if there is to be a Register of accountants our Members are entitled by the work which they are performing to be entered on that Register.

1619. What I want to find out is this. Is not the importance of the Register really for the protection of the public, those people who may not now know how to choose a good accountant ?—(*Mr. Whiteley*): Your terms of reference, if I may refer to them, are wider than that:—

> "To consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled."

We do hold, and we hold very emphatically, that our Members are practising the profession of accountancy, and if you are going to have a Register of persons who are entitled to practise the profession of accountancy, then we claim very decidedly that our Members should be on that Register, because our Members are practising, and practising to a very wide degree, the profession of accountancy.

1620. (*Mr. Scott*): With regard to this question of the registration of your membership, I see in paragraph **22** of your Memorandum you claim that the Chief Financial Officer of any Local Authority should be put automatically upon the Register. Do you claim the same right in respect of all your Members ?—That wants qualification, I think. We do not make that definite claim. We only make that claim in so far as the present Chief Financial Officer is a Member of our Institute.

1621. That is what I gathered from paragraph **22**, but in your answer just now you seemed to suggest that you expected your whole membership to be eligible for or entitled to registration ?—(*Mr. Lund*): Perhaps I have not made myself clear.

1622. That is the whole point. In what way would you expect your Members to be admitted to the Register ?—It is mentioned in paragraph **26**. (*Mr. Whiteley*): And paragraph **29** deals with the question of future members. In regard to paragraph **26**; "The Institute submits therefore, that all present Associates of the Institute should, upon being appointed to the position of Chief Financial Officer be considered both qualified for and entitled to admission to the Register as accountants in practice." That refers to those men who to day have passed our examinations and are Associate Members, but are not Chief Financial Officers, that they should be entitled to come upon the Register and be regarded as qualified when they become Chief Financial Officers. In paragraph **29**, we deal with future members passing our examination after the date of any Registration Bill. If the Registration Committee are not satisfied at that time that our examinations go quite as far as they want, we are prepared to submit any future Members to any supplementary examination that the Registration Committee might think fit.

1623. I quite see the point about qualifications, but what would be your attitude towards those who are in societies where the qualifications as to examination and the qualifications generally are not so stringent as they are in your own case ? That is to say, you may be perfectly satisfied to go on the Register, but would you not fear in some way that the members of some of those societies who are not so well qualified as yours by examination and otherwise, or even people who are members of no society at all, might acquire by coming on the Register a certain prestige which, at present, your Members have and they have not ?—(*Mr. Lund*): We have not really considered the point of view regarding members of other accountancy bodies. That is a matter which no doubt this Committee will investigate. It may be, of course, that we can, shall I put it in this way, buy registration too dearly. I think perhaps that is what your question means, but we have not considered that.

1624. I wanted to find out whether you would safeguard the public in this matter by preventing those people of inferior qualifications getting on the Register. If they were put on the Register you might confer upon them a certain hall-mark which at present they have not got ?—I take it that it would be subject to conditions which this Committee might subsequently recommend should be set up.

1625. With regard to the people we are considering both in societies and outside societies, who hold these inferior qualifications, would you be satisfied if their entry on the Register were made subject to meeting the requirements laid down by a National Board ?—I think we should be satisfied if the National Registration Council were also satisfied that the man was entitled to be placed on the Register in some category to be defined.

1626. Then there are a certain number of men who, on account of age and for various other reasons, probably could not undergo the strain of an examination to qualify according to the requirements of the National Board. You would not be in favour of debarring such men from practising as accountants, as they call themselves. They would not, of course, be on the Register. In other words, would you be disposed to prohibit these people from practising; some of them may have been practising accountancy in a restricted form in connection with, say, the accounts of small shopkeepers and other such businesses for the last twenty years ?—(*Mr. Whiteley*): Our view would be in a case of that kind that they must satisfy the Registration Committee and that they must be put on the Register in some form or other before they can be allowed to practise. We should go so far as to say that if they were able to satisfy the Registration Committee that they had been practising for a good number of years in certain directions we should not want to see these people put beyond the possibility of earning their livelihood, but they must satisfy the Registration Committee that they should be put on the Register subject to such conditions as the Registration Committee may desire to impose. We want to say that if registration is to be effective it should be the first step to a closed door to the accountancy profession, and that a Register which contained certain portions of the accountancy profession, but left others who were not registered still entitled to practise in any form they liked as accountants, would be unsatisfactory. In regard to the first part of your question, I think we should say we hope we have been able fully to satisfy you, or can fully satisfy this Committee that our members have unquestionable qualifications. With regard to any other societies of accountants, we feel that they ought either as a whole or as individual members to satisfy the Registration Committee that they are sufficiently well qualified to entitle them to be put on the Register and entitle them to practise. (*Mr. Lund*): I agree with what Mr. Whiteley has said in that connection. I take it there would have to be a period of transition when perhaps greater leniency would have to be shown than we might really desire, but that would adjust itself as the years went on.

1627. At present there are men of sixty or seventy years of age who have been doing accountancy work for many years; it is their means of livelihood; if you step in and say that, in order to practise they must be on the Register and they can only get on the Register under fairly stringent regulations such as you have in your own Institute, it might be putting these people out of business ?—(*Mr. Whiteley*): In that connection, reasonably satisfactory arrangements were made in the case of the dentistry profession and there was no widespread dissatisfaction, so far as I know. A good many men were taken in whom, perhaps, the better qualified men would have preferred to see left out, but at least it had the desirable effect of closing the door and in a generation, no doubt, the dentistry profession will contain only skilled practitioners. We want some provision of the same sort in regard to the accountancy profession.

1628. There is one point which your Institute appears to have missed, that there is perhaps a danger of levelling up the inferior societies if you admit them too readily to the Register ?—We appreciate that very much.

1629. And the question is whether you and some other societies might feel that, by registration, you are really doing yourselves an injury ?—(*Mr. Lund*): I think we should rely there on the discretion and recommendations of the Departmental Committee. (*Mr. Bateson*): We recognise that there would have to be elasticity in the transitional period.

1630. (*Mr. Wills*): I am still not clear why you want your members to be put on a Register ? Is it on the assumption that the Chief Financial Officers of Local Authorities must be necessarily registered accountants ? Do you suggest that the Register would be provided for under an Act of Parliament which at the same time would provide that all Chief Financial Officers of Local Authorities should be put on the Register ?—I am glad you have raised that point; it is very practical. It simply means this, that if accountancy is to be a closed profession, we regard the Chief Financial Officers of Local Authorities as being entitled to registration.

1631. Is that in order that your members may, supposing they leave the service of a Local Authority, set up as public accountants ? Is that the object ?—That is not the main object in the minds of the Council of the Institute. If I may illustrate the case of the legal profession; a gentleman who has obtained his certificate to practise as a solicitor may be appointed subsequently as Town Clerk, or Clerk to a County Council, or other Local Authority; no question is raised as to his status as a solicitor because he occupies his time in serving one client instead of many. We think the same position arises in the case of public accountants.

1632. Is it that you would regard it as a sort of stigma on your Institute if your Members were not allowed automatically to go on the Register ?—We should regard it as a distinction which is unnecessary and undesirable.

1633. Looked at from the point of view of the public interest, how are you going to improve matters by setting up a Register, so far as your particular branch of accountancy is concerned ?—We should not like to be left out of a Register of public accountants. That is at the bottom of the problem and is really worthy of consideration when you consider the onerous and important accountancy duties our Members are called upon to perform.

1634. You tell us that at the moment it is the practice of Local Authorities to insist on their officers being Members of the Institute ?—That is so.

1635. Assuming, instead of that, that you have an Act of Parliament which says that the Chief Financial Officers of Local Authorities must be on the Register, Local Authorities will then cease to make the present stipulation because all persons on the Register will be qualified to act as Chief Financial Officers of Local Authorities ; then the question arises as to the qualifications of persons on the Register ?—The way in which I should answer that question would be, that when a Local Authority is looking for a candidate for the post of Medical Officer of Health, the Local Authority generally sees to it that the officer appointed has the special qualifications necessary, and I have no doubt that in the case of the closed profession of accountancy the Local Authority would serve its best interests by giving preference to candidates coming before them who had the special training and qualifications of Members of the Institute of Municipal Treasurers and Accountants. (*Mr. Whiteley*) : Might I supplement that by referring once again to the terms of reference of this Committee : "to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a Register established by law and, if so, to report on the method by which such Register should be established and controlled." If there is to be a Register, and we state definitely in our opinion there ought to be a Register, then we are definitely of the opinion that our Members are carrying on the practice of accountancy in a very wide sense and that they ought to be admitted to the Register and that, if there was a Register, Local Authorities in seeking men to fill the highest financial and accountancy positions under them would desire that those men should be entitled to be and should actually be entered upon the Register. May I say this in regard to Mr. Wills' point as to whether we ask that our Members should be on the Register so that if they choose they may leave the Municipal service and go into private practice ; I think we have not the least difficulty in answering that question and answering it in this way ; that, as you have been told, we have in our Membership 287 men who are Chartered or Incorporated Accountants, and it is the rarest possible occurrence for one of our Members to leave the service and go into private practice.

1636. Your real reason is that you feel the Members of your Institute ought not to be left out ?—We do. (*Mr. Lund*) : That is our view because of the very terms of reference to which Mr. Whiteley has referred.

1637. It would be possible to have an Act of Parliament which excluded this particular class of work. An Act need not necessarily provide that the Chief Financial Officers of Local Authorities should be recruited from the Register.—Ultimately I think the status of the accountant should be improved by reason of registration though it may not be immediate, and so it is desirable in our opinion that provision should be made for our Members to be put on this Register so as to secure that additional status as time goes on. (*Mr. Bateson*) : Taking the analogy of other public officials such as the Medical Officer of Health and other officers who require special training and experience, it would be rather invidious to leave out the Chief Financial Officer from the definition of Public Accountant.

1638. I was looking at it from the point of view of the public interest rather than the interest of the Chief Financial Officer. You do not feel that there is any danger to the public interest in the fact that the Register might include persons that your Institute probably would like to exclude. It has been suggested to the Committee that the members of all kinds of societies should automatically come on the Register, and in that event each one of them would be qualified to act as the Chief Financial Officer of a Local Authority.—I do call the attention of the Committee very specially to the powers and duties and responsibilities of Chief Financial Officers in the public service. (*Mr. Whiteley*) : I would respectfully suggest, My Lord, that their addition to the Register would strengthen it and not weaken it.

(*The Witnesses withdrew.*)

MR. WILLIAM HENRY GLANVILLE, F.P.L.A. (*Chairman of Council*) AND MR. R. H. JARVIS, F.I.S.A. (*Joint Hon. Secretary*), representing the Institute of Poor Law Accountants, Limited, called.

The Committee had before them the following Memorandum by THE INSTITUTE OF POOR LAW ACCOUNTANTS, LIMITED :—

MEMORANDUM No. 28.

1. William Henry Glanville present Clerk to the Guardians of the Poor of the Parish of Hammersmith and the appointed local Public Assistance Officer of No. 6 area comprising the Boroughs of Paddington, Kensington and Hammersmith will attend before the Departmental Committee accompanied by the Joint Hon. Secretaries Messrs. R. Herbert Jarvis, F.I.S.A., and T. W. Winkworth Newman, B.Sc. (Econ)., A.C.I.S., F.L.A.A.

2. It is submitted that the names of the present Fellows and Associates of the Institute of Poor Law Accountants Limited be inscribed in the Register established by law of persons practising the profession of accountancy for the following reasons.

3. The Institute is the only professional body in existence having for its principal object the furtherance of the profession of Poor Law Accountants.

4. Preliminary, intermediate and final examinations are held by the Institute. In an extremely high percentage of cases Officers of Boards of Guardians who have qualified as Fellows or Associates of the Institute have obtained increases of salary and promotion in the Accountants Department with the Board of Guardians under which they serve and

preferential treatment when making application for vacant posts with other Boards of Guardians with a view to bettering their own position.

5. Further, subsequent to the passing of the Local Government Act, 1929, it is an established fact that applicants for many advertised posts in the County Accountants Departments have been successful in securing such posts in preference to other applicants by reason of the fact that they have qualified as Fellows or Associates of the Institute. Very many County Councils since the passing of the Local Government Act 1929 have invited applications for vacant posts in the County Accountants Departments and preferential consideration, all other things being equal, has been given to applicants holding the Final Examination Certificate of the Institute.

6. It is claimed that the results set out in paragraphs **4** and **5** above definitely show that the efforts of the Institute have resulted in amelioration of the positions of Accountants who have taken the examinations of the Institute and duly qualified, and although the work of the Institute is specialised to a particular class of Accountancy there are a very large number of professional men included in this class, and the Institute providing as it does for very special requirements fills a position in a special branch of Accountancy which is not touched upon by other professional accountancy bodies.

7. The Clerk to a Board of Guardians is the responsible Accounting Officer and it is noteworthy that practically every Clerk to the largest and most important Poor Law Authorities both in London and in the Provinces generally is a Member of the Institute. The total number of Clerks to the Guardians who are Members approximates 100. This equals one-fourth of the membership of the Institute which is exactly 400 at the present time. It may be mentioned that the Institute has branches in Sheffield, Ashton-under-Lyne, Cardiff, North Shields, Portsmouth and Birmingham.

8. After the 31st March, 1930, Part I of the Local Government Act, 1929, becomes operative and after that date administration of the functions of the Poor Laws hitherto vested in Boards of Guardians will be automatically transferred to County Councils and County Borough Councils. The Accountancy duties will be administered and carried out primarily by the County Accountants Departments and the County Borough Accountants Department.

9. The County Accountants have their own professional Accountancy body known as "The Institute of Municipal Treasurers and Accountants" and it is probable that in the future persons seeking admission to and preferment in County Accountants Departments and County Borough Accountants Departments will sit for the Examinations of the Institute of Municipal Treasurers and Accountants and to a considerable extent the sphere of the Institute of Poor Law Accountants will be curtailed as an Examining Body so far as relates to accountancy proper. It is felt extremely strongly by the Council of the Institute of Poor Law Accountants that the utmost efforts should be taken to protect the interests of the present Fellows and Associates. It is possible that a number of the Fellows and Associates, under the change of Poor Law administration, may lose Office and it is submitted that the names of the existing Fellows and Associates of the Institute of Poor Law Accountants be inscribed in the Register of Accountants which is being established, to enable such Fellows and Associates as may not secure established positions under the new régime to practise on their own account as Accountants or to obtain Accountancy positions with practising Accountants or Public or other Bodies. In this connection it is pointed out that the subjects included in the examinations of the Institute are by no means confined to Poor Law but include as to the Intermediate examination, Commercial Book-keeping, Trading and Profit and Loss Accounts, Balance Sheets and General Secretarial Knowledge and as to the Final examination in Part 1 :—

(1) *Advanced Book-keeping and Accountancy.*—The compilation of advanced final accounts of Commercial Undertakings including Companies and Partnerships with reserves and adjustments ; Capital and Revenue ; Apportionments ; Departmental Accounts ; Modern systems of Account Keeping ; Elementary principles of Costing ;

(2) *Auditing.*—The principles and methods of auditing ; organisation of systems of internal check ; Stores and Wages Systems ; Stocktaking ; and in Part 2 :—

(1) *General Law and Practice.*—The Law of Contract ; Agency ; Negotiable instruments ; Sale of Goods.

(2) *General Secretarial Knowledge.*—Correspondence, Minutes, Reports, Précis-writing, Filing, Law and procedure of Meetings, Business methods and terms.

10. The present Board of Examiners consists of the following gentlemen :—Thomas S. Lamb, LL.B. (Lond.), Barrister-at-Law, Clerk to the Guardians Bristol, now appointed Director of Public Assistance, City of Bristol ; Edwin Ridley, LL.B. (Lond.), Barrister-at-Law, Clerk to Guardians, Edmonton, now appointed Director of Public Assistance, County Council of Middlesex ; Stanley Whitehead, A.S.A.A., A.C.I.S., Borough Accountant, Hammersmith ; Kenneth Boden, A.C.A., late Accountant, Brentford Board of Guardians.

11. The Patron of the Institute is the Rev. Prebendary P. S. G. Propert, M.A. (late President of the Association of Poor Law Unions).

12. The President is Sir William Chance, Bart., M.A., and the Vice-President is Mr. Gaius W. Coster, M.B.E., late Clerk to the Guardians of the West Derby Union (the largest Union in England).

13. A print of the Memorandum and Articles of Association of the Institute,* a print of its Bye-Laws and Regulations,† and a copy of a general Syllabus showing the objects and regulations as to Membership and examinations‡ are sent herewith for the information of the Committee.

14. After the coming into force of Part I of the Local Government Act, 1929, at the commencement of April, 1930, it is estimated that approximately 70 per cent. of the present Fellows and Associates of the Institute will be allocated to appointments in new Departments to be established by the County Authorities throughout England and Wales known as Public Assistance Departments. These Departments will deal with the general administration of the Poor Law and not with Accountancy proper and will only deal with subsidiary accounts and not with main or final accounts and having regard to this fact the Institute of Poor Law Accountants is about to pass a Resolution changing its title to "The Institute of Public Assistance Services, Limited".

15. The nature of the Institute's activities will naturally be somewhat altered and the Council of the Institute do not request the Committee to inscribe upon the new Accountancy Register any persons qualifying under the Examinations of the Institute after the end of March, 1930. The object of the application of which this evidence is in support is as already stated to protect and safeguard the interests of Fellows and Associates who have qualified as Fellows or Associates of the Institute up to the present time.

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* Not reproduced.
† See extract in Appendix W.
‡ Appendix X.

Mr. WILLIAM HENRY GLANVILLE examined.

1639. (*Chairman*): Mr. Glanville, I think your membership is four hundred ?—Four hundred and nine, Sir.

1640. It consists of Fellows and Associates ?—Yes.

1641. Can you tell us the qualifications which are required of candidates ?—For Fellowship they must have passed the Final Examination, or been exempted therefrom, and hold the appointment of Clerk to a Board of Guardians, Deputy Clerk or any officer holding an analogous position, or Accountant appointed by or recognised as responsible for the accounts of a Poor Law Authority. I may say that, in some Unions, the deputy to the Clerk is known as the Deputy Clerk. In many Unions, the Second Assistant to the Clerk is known as the Accountant and he is responsible for the accounts to the Clerk to the Guardians who is the person responsible under the Orders. An Associate must have passed the Final Examination or have been exempted therefrom and hold an appointment under a Board of Guardians, or he must have passed the Intermediate Examination, or been exempted therefrom, and have, for five years immediately prior to the application been engaged in the office of the Clerk to the Board, so that you see in regard to Associates there are more or less two classes. In the one instance he must have passed the Final Examination and be holding an appointment under a Board of Guardians, and in the other instance, he must for five years have been in the office of the Clerk and have passed the Intermediate Examination.

1642. Do you admit without examination ?—Very seldom now. We did so at the beginning, but of course they were Clerks to Guardians and Deputy Clerks and Accountants of standing.

1643. You do not grant exemption now ?—Under very exceptional circumstances we do grant exemption, but the applicant would have to comply with the conditions which are very stringent and very strictly applied. As an instance, I may say that since the second year our membership has only increased by one hundred. There were three hundred Members during the first two years and they were principally members of the service who were either Clerks to Boards of Guardians or Deputy Clerks or Accountants; one hundred have been admitted during the last four or five years. I think that bears out the argument that we now admit only in very exceptional circumstances without examination.

1644. You regard Poor Law Accountancy as a special branch of accountancy ?—Yes.

1645. I suppose this special branch of accountancy will not exist very much longer ?—Part of it is being absorbed in the County Treasurer's Office, but there is a tremendous amount of accountancy work still to be done as regards certain branches of the old work of the Guardians which is being placed under the Public Assistance Authorities.

1646. What will happen to your Institute ?—We have already changed the name and sanction has been received from the Board of Trade to change the name to "The Institute of Public Assistance Services". That was the best we could get for the time being. I should like to point out that we are only asking for the present Fellows and Associates of the Institute to be covered under any registration scheme.

1647. You want all persons who were Members of your Institute at the end of March to be put on the Register ?—Yes, because, as you have mentioned and I have agreed, the greater portion of the accountancy work is passing over to another authority. I noticed that the witnesses preceding us were representing the Institute of Municipal Treasurers; it was only a short time ago that we had a conference with them as to whether some recognition should not be given to our Members and it may interest the Committee to know what have been the terms of agreement. The Institute of Municipal Treasurers have acceded to our proposal that, subject to compliance with the ordinary regulations of that Institute as to service in a Municipal or County Accountant's Department, all the Fellows and those Associates who have passed the Final Examination may be exempted from their Preliminary and Intermediate Examinations so that they can proceed direct to the Final Examination. We have that in writing from the Institute. I may say that our Institute, of which I happen to be Chairman of the Council, was formed for one reason, namely, because the regulations of the Institute of Municipal Treasurers precluded the admission of Poor Law Accountants to their examinations. Now they are going to allow Poor Law Officers, who, under the new régime, may comply with those requirements and who are Members of our Institute, to go straight to their Final Examination.

1648. Do you know of any cases in which any of your Members have left Poor Law Accountancy and gone in for public accountancy on their own ?—I do not know of any offhand. But of course there are a fair number of them who are being transferred to the County Council offices or the County Treasurers' offices.

1649. Now; but previously ?—Not previously.

1650. Where they gave up one form of accountancy for another ?—They have been Chartered or Incorporated Accountants and been Accountants to Board of Guardians and then given up their official occupation and gone back into private practice again; I have known that.

1651. Would you say your Members would be able, without detriment to the public interest, to take up general public accountancy work, work which is now carried on by fully qualified accountants ?—I think so.

1652. Fully qualified accountants who have their own practice ?—I think so, especially in regard to company accounts. In paragraph **9** of our Memorandum of Evidence we say: "It is possible that a number of the Fellows and Associates, under the change of Poor Law Administration, may lose Office and it is submitted that the names of the existing Fellows and Associates of the Institute of Poor Law Accountants be inscribed in the Register of Accountants which is being established, to enable such Fellows and Associates as may not secure established positions under the new régime to practise on their own account as accountants or to obtain accountancy positions with practising accountants or public or other bodies. In this connection it is pointed out that the subjects included in the examinations of the Institute are by no means confined to Poor Law but include, as to the Intermediate Examination, commercial book-keeping, trading and profit and loss accounts, balance sheets and general secretarial knowledge." In preparing a Syllabus for the examinations of the Institute we had to bear in mind that we were catering for a department the head of which was Clerk to the Board of Guardians and was responsible for the whole of the work of the Board, including the accounts. That responsibility was a legal one which we could not remove: it was an old one imposed under the 1847 Orders. And as years went on and in the very large Unions, and particularly in the Metropolis, the Clerk had assistants who were experienced and able men placed in charge of the various departments. In order to bring about this Institute we had to devise some means whereby we could test the knowledge of a person to be appointed to the office of Clerk. He not only had to be an accountant or have a knowledge of accounts, but he had to have the general law and practice of meetings and secretarial knowledge and a legal knowledge.

1653. Your Institute was started to assist its Members ?—Yes.

1654. Not for the benefit of the public ?—No, not the general public. It does benefit the public in this way; that it enables, or it enabled, Boards of Guardians to place in charge of the departments or in charge of their respective departments men of experience and qualified men; therefore a man who was placed in charge of the accounts of a large Poor Law Union could look at those accounts from a different aspect than probably a man who had just gone through the ordinary routine of the office.

1655. I see by one of your bye-laws* you can suspend any Member guilty of unprofessional conduct. Have you had to employ those powers ?—The Secretary informs me, in one instance.

1656. Now what do you suppose that individual would do. Would he take up public accountancy on his own ?—I expect the cause of his being taken off our Register was such that he would never obtain another public appointment. I cannot recall to my mind the exact case; of course, we have the records.

1657. (*Mr. Bellman*): Would you have any knowledge as to whether he could or did practice privately, assuming that he was dismissed from the employment of the Local Authority ?—No, we should not have any knowledge of that.

1658. In paragraph **6** of your Evidence you state: "the work of the Institute is specialised to a particular class of accountancy". Then in paragraph **9** you enter a very strong plea that your Fellows and Associates, your existing Fellows and Associates, should have their names inscribed in any Register of accountants which may be established so that they may commence to practise on their own account. You will correct me no doubt if I am wrong, but while your examination provides for knowledge of the subjects which you have set out in the paragraph, commercial book-keeping, trading and profit and loss accounts, balance sheets and general secretarial knowledge, auditing and general law and practice, and so on, is it not a fact that the knowledge that a very large percentage of your Fellows and Associates must have is the theoretical knowledge, rather than practical knowledge gained by many years experience of these higher forms of the accounting profession ? These are duties, in other words, which do not normally fall to be performed by them in their capacity as Clerks to a Poor Law Authority ?—Yes, at the present day, at any rate, the Clerk is the legal adviser whether he is a solicitor or not, he is the legal adviser to the Board and has to interpret the law. He must be prepared at any moment to interpret the law on any matter coming under the headings you mention. Whilst I agree to a certain point that in certain matters the probabilities are his knowledge is only a theoretical one, I do suggest that his knowledge of accountancy and the auditing and the general law and practice, the law of contract, agency, negotiable instruments, etc., and general secretarial duties, are such that he would be in a position to take an appointment as a clerk to a public company.

1659. As a clerk to a public company ?—As a secretary to a public company or an accountant to a public company.

1660. Would he be able to practise publicly as an accountant and give to the public a completely efficient all round accounting service based upon experience ?—In my opinion, yes, especially if he had been engaged in a large Union. I was eliminating the Metropolis because we must regard every Union in London as being a large organisation with many departments in it.

1661. Could he undertake liquidations and receiverships ?—I think so.

1662. Where would he get experience of actually handling liquidations and receiverships in his Poor Law work ?—That is where I am going to give you the point, where probably his knowledge would be theoretical, but at any rate, I think he would be qualified.

1663. He would be qualified but not experienced ?—Quite.

1664. Don't you conceive it would be a little dangerous to put on to the Register those whose knowledge is in many important degrees limited to the theory rather than the practice ?—No, not in this case, Sir.

1665. (*Chairman*): Thank you very much.—May I express the hope that you will consider our application very favourably.

(*The Witnesses withdrew.*)

* Appendix W.

APPENDIX W.

THE INSTITUTE OF POOR LAW ACCOUNTANTS LIMITED.

Extract from Bye-laws and Regulations.

Suspension, Removal or exclusion of Members.

23. The Council may suspend or remove or exclude from Membership any Member who is guilty of dishonourable or unprofessional conduct, or becomes bankrupt or compounds with his creditors, or wilfully contravenes the provisions of the Memorandum or Articles of Association or these Bye-Laws, or in the opinion of the Council is unfit to remain a Member of the Institute. Provided that any such Member shall be afforded due opportunity to explain such conduct.

APPENDIX X.

THE INSTITUTE OF POOR LAW ACCOUNTANTS LIMITED.

Extracts.

OBJECTS, REGULATIONS AS TO MEMBERSHIP AND EXAMINATIONS.

Objects.

1. To devise and impose means for testing the qualifications of candidates for admission to the professional membership of the Institute by examination in theory and in practice, or by any other actual or practical tests, and to grant certificates of qualification to the successful candidates.

2. To hold conferences and meetings for the discussion of professional affairs, interests and duties, the reading of papers and the delivery of lectures, to compile and revise lists and registers of members, to issue copies of papers, lectures, and professional records, from time to time, to members of the Institute and generally to collect, collate, and publish information of service and interest to members of the profession and the public at large.

3. To ascertain and notify the law and practice relating to all things connected with the profession of "Poor Law Officer."

4. To exercise professional supervision over the members of the Institute and secure for them such definite professional standing as may assist them in the discharge of their duties.

5. To purchase, rent, lease, hold or dispose of any buildings to be used as an Institute, Offices, Lecture or Reading Rooms, or any other property, for the advancement of the objects of the Association, or any of them.

6. To form a library for the use of members and to lend books therefrom.

7. To apply for petition for, or promote any Act of Parliament or other Authority, with a view to the attainment of the above objects or any of them, and to join any other similar body for that purpose.

8. To assist members in obtaining desirable positions.

9. Any other act incidental to the business of the Institute, and for the objects thereof.

Regulations as to membership.

I.—*Fellows.*

All those who, having passed the Final Examination of the Institute, or been exempted therefrom, hold the appointment of Clerk to the Guardians, Deputy Clerk or Officer holding an analogous position, or Accountant appointed by, or recognised as responsible for the accounts of, a Poor Law Authority.

II.—*Associates.*

(*a*) All those who having passed the Final Examination, or been exempted therefrom, hold an appointment under a Board of Guardians.

(*b*) All those who having passed the Intermediate Examination, or been exempted therefrom, have for at least five years immediately prior to the application been engaged in the office of a Clerk to a Board of Guardians.

No person shall be eligible for admission as a member until he has attained the age of 21 years.

The Council has power in any special case to admit to membership an applicant who may not be eligible as above.

Members will be designated by distinctive letters, as follows:—

Fellows ... F.P.L.A. Associates ... A.P.L.A.

Exemptions from Examinations.

Preliminary.

Exemption from the Preliminary Examination may at the discretion of the Council be granted in the following circumstances:—

(*a*) Where the candidate in the opinion of the Council produces evidence of having passed an examination or examinations which appear to be equivalent to the Preliminary Examination of the Institute.

(*b*) Where the candidate is over the age of 21 and satisfies the Council as to his general education.

(*c*) Where the candidate is over the age of 19 and has for at least three years been engaged in the office of a Clerk to the Guardians.

Intermediate.

Exemption from the Intermediate Examination may at the discretion of the Council be granted in the following circumstances:—

(*a*) Where the candiate produces evidence that he is a holder of one or more of the following:—

A degree conferred by a British University; Fellowship or Associateship of (i) Institute of Chartered Accountants; (ii) Society of Accountants and Auditors; (iii) London Association of Accountants; (iv) Chartered Institute of Secretaries; (v) Incorporated Secretaries Association, or any certificate which in the opinion of the Council appears to be of equal value.

(*b*) Where the candidate shews that he holds the office of Clerk to the Guardians or Deputy Clerk (or officer holding an analogous position) or Accountant appointed by or recognised as responsible for the accounts of a Poor Law Authority and so certified by the Clerk to the Guardians.

Final.

Exemption from the Final Examination may at the discretion of the Council be granted in the following circumstances:—

(*a*) Where the candidate holds the office of Clerk to the Guardians.

(*b*) Where the candidate, not being a Clerk to the Guardians, produces evidence that he has passed the Final Examination of either of the following bodies:—(i) Institute of Chartered Accountants; (ii) Society of Accountants and Auditors; (iii) London Association of Accountants; (iv) Chartered Institute of Secretaries; (v) Incorporated Secretaries Association, or any similar body of acknowledged standing, and/or holds a degree conferred by some British University, and holds the office of Deputy Clerk (or officer holding an analogous position) or Accountant appointed by or recognised as responsible for the accounts of a Poor Law Authority, and certified by the Clerk to the Guardians as having held such office for not less than five years inclusive, in computing which period regard shall be had to service with H.M. Forces during the Great War.

Examination Fees.

	£	*s.*	*d.*
For the Preliminary	1	1	0
For the Intermediate	2	2	0
For the Final (Parts 1 and 2) ...	3	3	0
For the Final (Part 1)	1	11	6
For the Final (Part 2)	1	11	6

Candidates entering more than once for any examination will be charged half fees for subsequent examinations of the same degree, provided they re-enter for such examinations within two years of first presenting themselves.

Exemption Fees.

	£	*s.*	*d.*
Exemption from the Preliminary Examination		10	6
Exemption from the Intermediate Examination	1	1	0
Exemption from the Final examination	1	11	6

The payment of an exemption fee by members elected without examination may be waived where the Council consider such a course desirable in the interests of the Institute.

Entrance Fees.

	£	*s.*	*d.*
Fellows	2	2	0
Associates...	1	1	0
Fee for transfer from Associate to Fellow	1	1	0

Annual Subscription.

	£	*s.*	*d.*	
Fellows	2	2	0	per annum
Associates...	1	1	0	,,

Syllabus of Examinations.

Preliminary Examination.

1. English. 2. Arithmetic. 3. Algebra. 4. English History. 5. Geography, and 6. One of the following subjects to be selected by the candidate:—(*a*) Latin, Elementary; (*b*) French, or other modern language; (*c*) Advanced Mathematics; (*d*) Chemistry; (*e*) Electricity or Magnetism; (*f*) Heat or Light, or Elementary Mechanics; (*g*) Stenography at 80 words per minute.

Intermediate Examination.

1. Book-keeping and accounts.
2. Poor Law bookkeeping and auditing.
3. Law affecting Guardians and their officers.
4. Arithmetic.
5. General secretarial knowledge.
6. Essay.

Final Examination.

Part 1.

1. Advanced book-keeping and accountancy.
2. Auditing.
3. Poor Law Accountancy (1st paper Practical).
4. Poor Law Accountancy (2nd paper Theoretical).

Part 2.

5. General Law and Practice.
6. General Secretarial knowledge.
7. Law relating to the relief of the poor.
8. Optional subject.—One of the following subjects selected by the candidate:—(*a*) Rating and Valuation; (*b*) Lunacy Acts; (*c*) State Insurance; (*d*) Local Government Elections.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

SIXTH DAY.

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERIC EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM

BOARD OF TRADE
7th February, 1930.

SIXTH DAY.

Thursday, 29th May, 1930.

PRESENT :

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I,. G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

ALDERMAN CHARLES AVELING, J.P. (*Past-President*) and MR. PATRICK HOWLING, F.I.S.A. (*General Secretary*), representing the National Chamber of Trade, called.

The Committee had before them the following Memorandum by the National Chamber of Trade :—

MEMORANDUM No. 29.

The Chamber's Representative Status.

1. The National Chamber of Trade was inaugurated in 1897, and became incorporated in 1925. Its membership comprises three hundred and sixty local chambers and associations of traders throughout the country, representing upwards of one hundred thousand members, mostly distributors ; in addition there is a substantial individual membership, including merchants, manufacturers and some professional men. The Chamber can claim to be the largest organisation of employers in the country.

Its Objects.

2. The objects for which the Chamber is established, as set out in its Memorandum of Association, provide for the promotion of all such lawful measures, plans and schemes as may be calculated to benefit, improve, advance and secure the commercial and general rights and interests of its members.

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The Bearing of its Views on the Question before the Committee.

3. It will of course be understood that the views submitted in this Memorandum, and by the Chamber's representative in enlargement thereof, are more particularly in relation to the interests of traders in the matters arising on the terms of reference.

Following the submission of this Memorandum Alderman Charles Aveling, J.P., has been appointed to attend before the Committee. He is a Past-President of the Chamber; a member of the Board of Management; Governing-Director of Messrs. Robinsons Linen Warehouses, Limited, Southport, Manchester and Preston; an Ex-Mayor and Alderman of the County Borough of Southport.

Accountancy and Traders.

4. On the Chamber's behalf the Board of Management would at the outset emphasise its desire that everything possible should be done to maintain the highest standard of accountancy. It has always been the Chamber's policy to recommend strongly to its members, even those with small businesses, that they should avail themselves of the services of qualified practical accountants for the purposes of instituting correct and recognised systems of bookkeeping and accounts, for periodical audit, and also for the preparation of income tax and other returns which may be necessary.

In the official pamphlet in the "Choice of Career" Series (Ministry of Labour) observation is made that "despite the growth of large undertakings and combines, the small manufacturer and trader make a substantial contribution to the industry and commerce of the country; and they too have found Professional Accountants of great service in the conduct of their affairs".

Four Main Considerations.

5. In approaching the question of the registration of accountants, we have had special regard to the following main considerations:—

(*a*) Is there any substantial public demand for registration;

(*b*) Would registration really raise the status of accountancy;

(*c*) Would it be of advantage to traders, and especially to the smaller traders, for whom the Chamber has to speak;

(*d*) How would experienced men who are at present carrying out accountancy work, but who are not members of any accountancy body, fare under registration?

Is there any Substantial Public Demand for Registration?

6. It would appear that beyond the suggestion made by the Chairman of the Local Legislation Select Committee in the last session of Parliament (as confirmed in the Report of the Committee itself), and the requests that have been put forward by certain accountancy bodies themselves, no demand has hitherto been made of a representative character by any section of the public, including commerce and trade, for registration.

Consequently, it would seem reasonable to assume that although there may have been a few instances in which public or commercial interests may have been disadvantaged, or may have suffered through non-registration, such instances are neither sufficiently representative or serious as to constitute good ground on that account alone for urging registration.

At any rate we do not recall within the thirty-three years of the Chamber's history that the proposal has ever been put forward by resolution at any of its Conferences, or by other methods of submission. If in the large constituency of commerce and trade which the Chamber represents there had been any strong individual or collective need realised among traders for registration to be set up, we think that this would have manifested itself, but so far it has not been apparent.

We can appreciate the reasons which prompted the statement by the Chairman of the Local Legislation Committee and the views expressed in that Committee's Report (as referred to above) as indicating a desire for registration in order to obviate the difficulties with which the Committee were confronted consequent upon the petitions of certain accountancy bodies.

We would submit, however, that important as those difficulties may be, they are not of themselves sufficient to justify Parliament establishing a register which, in effect, might create a close corporation, without general public advantage.

Although the point is not one which immediately concerns traders, we think that it should be possible for a prescribed standard of qualification for public audit and accountancy work to be determined, and who should be regarded as approximating to that standard, without proposing legal registration as a way out of the difficulty.

Would Registration really raise the Status of Accountancy?

7. We cannot see that registration would necessarily raise the status and practice of accountancy beyond that standard to which it has already been brought, and can be further elevated under systems of qualification and practice. The recognised bodies of accountants already make it a condition that entry must be subject to the passing of examinations so designed as to require from students and candidates a very high standard of knowledge, allied to a substantial period of experience in fundamental accountancy work, and it is not clear to us how registration in itself would improve upon this.

In the pamphlet already referred to a further observation is made that "the discipline enjoined by the Councils of the Chartered Accountants and the Incorporated Accountants, combined with the standard of qualification of the members, have earned for the Accountancy Profession the respect and confidence of the public".

Difficulties of Definition.

8. In considering the term "Accountant" we experience difficulty in determining what the scope of a register would have to be if such was established. There are, we understand, at least fifteen organisations of accountants in Great Britain, covering accountants in general practice; public accountants; municipal accountants and treasurers; works and costs accountants; and poor law accountants. We do not desire to distinguish between these respective bodies as to status, although there are differences as regards period of existence, representative capacity, and so on. We presume, however, that the members of all would have to be taken into account as regards eligibility for their names to be inscribed in a register established by law.

When we come to consider the comprehensive work of the accountancy profession, the difficulty of definition is emphasised. The following have been laid down as headings of a general description—

1. Work requiring a knowledge of accounts (audits, writing-up of books, preparation of accounts, etc.).
2. Work requiring a knowledge of cost accounts and statistics.
3. Work requiring a knowledge of the law and practice of Income Tax.
4. Work requiring a knowledge of business methods and practice (Secretaryships, Directorships, etc.).
5. Work requiring a knowledge of the law and practice relating to Companies and Companies' Accounts.
6. Work requiring a knowledge of the law and practice relating to Bankruptcy, Company Liquidation, Trustees, Executors and Receivers, Arbitration and Awards.

As is stated in the official pamphlet, the Accountancy Profession deals in fact with the whole range of business affairs; its work is broader and the service it offers to the public is more comprehensive than any occupation which the term "Accounting" might imply.

The definition in the Income Tax Act, 1918.

9. As regards appeals before the General Commissioners of Income Tax in which any accountant as defined in the Income Tax Act of 1918 may be heard, we have observed that the definition there of "Accountant" is "a person who has been admitted a member of an incorporated society of accountants."

We are not aware as to whether the Board of Inland Revenue have submitted, or are submitting, any representations to the Committee upon this definition, as to whether it is satisfactory in practice, or whether it requires to be modified in any way for the purposes to which it relates. So far, however, we are not aware of any complaints that have been put forward under this head by any General Commissioners of the Income Tax, although it would appear that inasmuch as any newly formed society can seek and obtain incorporation under prescribed circumstances and conditions, that this particular definition might require some qualification.

The point that we desire to make here, however, is that if no authoritative request has yet been made for a tightening up of the definition of "Accountant", as given in Sub-Section 3 of Section 137 of the Income Tax Act of 1918, then it is a reasonable conclusion that difficulties have not yet been experienced in a sphere in which they might have been expected, if the case for registration can be made out.

Experienced men who are outside the membership of any Accountancy Body.

10. Then there is a large number of respectable and experienced persons who, although they are not members of any of the accountancy societies, do in fact carry out a great amount of responsible accountancy work, especially for smaller traders. They assist their clients in various ways in connection with the conduct of their businesses, and do not regard themselves as being so strictly limited in their advice and help as professional accountants usually do.

If a register were established then, unless special provisions were made for such persons to be included (at any rate within a prescribed limit of time), the result would be that a great many might be in danger of losing a substantial part of their livelihood. Therefore, we would submit that these classes of persons should be carefully considered by the Committee, and if a register is recommended, then their special cases should be carefully taken into account.

As affecting Traders.

11. We cannot escape from the idea that registration might as time went on bring about some degree of monopoly, and the consequent increase in professional accountancy fees. If matters developed along those lines small traders requiring to avail themselves of accountants' services would have to pay a much higher fee than they do at the present time, and one which, protected by the monopoly of the register, might be altogether out of proportion to the comparatively small amount of work required to be done.

If we may refer again to the official pamphlet on "Accountancy", we would invite attention to the statement made therein that "there are no statutory or other exclusive privileges attached to the recognised professional qualifications, and each member of the profession must rely upon his own inherent qualities and experience to provide him with a livelihood".

If a Register is established.

12. The Chamber is not so much concerned with the abstract proposition that the registration of accountants should be carried out. In theory it is an acceptable proposition from many points of view, but in practice we think it would be attended with considerable difficulty.

If, however, it is desirable, in the judgment of the Committee, that a register of accountants should be set up, then we would emphasise the following material considerations, and would ask that any scheme or method that may be adopted for instituting and maintaining the register should incorporate these points which we believe to be of profound importance:—

(*a*) That the scheme should safeguard the highest possible standards of practising accountants;

(*b*) Subject to the foregoing condition the scope of the initial register should be sufficiently wide to enable all who are members of a recognised accountancy body, or who are qualified by examination, or by practice, to be placed upon it within a prescribed reasonable time.

We realise that there will necessarily be very considerable difficulties in determining the basis of membership of the register under these respective heads, but it must be regarded as a vital point.

(*c*) We assume that there would have to be some kind of body responsible for the supervision and administration of the register, and in the constitution of such a body we think that public interests, as apart from those of accountancy, should be represented.

It may be contended that this is a suggestion which involves very decided control, but we submit it as the inevitable corollary of Government registration.

Tendencies to be carefully watched.

13. We feel it necessary to draw attention to the tendency in the direction of proposals and requests for the official registration of various professional or semi-professional bodies or persons. Without attempting to appraise the measure or justification upon which these respective claims rest, we would express considerable doubt as to whether the extension of official registration is altogether in the public interest. It is our firm opinion that all forms of State control and regulation should be restricted to those limits which are in full accord with national sanction and demand.

24th May, 1930.

Alderman CHARLES AVELING examined.

1666. (*Chairman*): Would you like to supplement the written evidence which you have put in?—(*Alderman Aveling*): When the announcement of the appointment of the Departmental Committee was made, attention was called to it in one of the Chamber's documents, issued on 11th March. The terms of reference were given, and emphasis was laid upon the desirability of maintaining the status of the accountancy profession, and at the same time protecting the interests of traders in relation to their requirements for such professional services. Representations were invited upon the subject from the 360 Chambers and Associations in the National Chamber's membership, and it was intimated that they would

be laid before the Sub-committee for careful consideration. The Board of Management appointed a Sub-committee to consider the matter from various standpoints, and to prepare a memorandum. The replies from member societies were, however, only a very few, and did not run into two figures, which is an exceptional thing in regard to representations from member societies. I would emphasise that they are not 10 out of 360.

1667. What were the figures ?—There are 360 organisations, representing over 100,000 members ; from those 360 we had replies from less than 10, which is a very unusual fact as far as our Chamber is concerned.

1668. Why was that ?—I should say it was possibly because there was no interest whatever in the matter, and that they are satisfied with things as they are. The few communications received were strongly in favour of registration, and they were, in the main, from societies whose secretaries are members of one or other of the recognised accountancy bodies. I want to bring that out because I think it is only fair to the very few that they should be mentioned. In this connection it should be pointed out that the secretaries of local Chambers and Associations include (*a*) accountants who are members of one or other of the professional bodies, and (*b*) persons who do accountancy work on behalf of traders, but who are not members of a professional body. From the exceptionally small number of communications upon the subject that have been received it is reasonable to infer that there can be little or no anxiety among traders themselves as to the need for any further protection in this matter, and this point has already been covered in the memorandum, in which we draw attention to the fact that no resolution upon the subject has been submitted to the Chamber's Conferences. I have been a member for about twenty-five years, and I have attended regularly at the annual and half-yearly meetings, but I remember no instance of any resolution being sent in or put forward in connection with this subject. The memorandum drafted by the Sub-committee was approved by the Board of Management as a whole in the form in which it has been laid before you. It is important to note that the membership of the Board comprises traders in a small, as well as in a larger, way of business, and it may be taken as being representative of the general body of membership.

1669. Your membership is nearly 100,000 ?—Yes.

1670. Are your members spread all over the United Kingdom ?—They are spread over England. together with Belfast and Northern Ireland.

1671. In country districts as well as in towns ?—In country districts, exceedingly small districts, we have Chambers with comparatively few members, but we also have Chambers with a membership of over four figures.

1672. So your membership would include a large number of traders in a small way of business ?—Yes ; the only method by which they can secure representation is to join their local Chamber of Trade.

1673. So you would represent the small traders ?—Yes, the Board of Management can claim to represent them, because it is elected by the whole body of members.

1674. In paragraph **4** of your memorandum you say that it is the Chamber's policy to recommend strongly to its members, even those with small businesses, that they should avail themselves of the services of qualified practical accountants. You use the words "qualified practical accountants" in the widest sense ?—In the widest sense. Having regard to the bankruptcy laws, the Board of Management has thought it was its duty to draw the attention of traders to the need for proper books of account, and it has also recommended that accountants should be employed.

1675. Do the majority of your members act on the recommendation ?—It is very difficult to say. Speaking personally, I should say they do.

1676. Could you generalise and say that a very large number do act on the recommendation that they should employ qualified practical accountants ?—It is fairly safe to generalise. I have no specific information on the point, but I should say, quite honestly, that a great proportion of them do. I think there is more necessity than ever for it, in view of the Income Tax law and Income Tax payments.

1677. In paragraph **6** you say : "Important as those difficulties may be, they are not of themselves sufficient to justify Parliament establishing a Register which, in effect, might create a close corporation, without general public advantage." Would you object to the profession of accountancy being a close corporation ?—I, personally, would object to it being a close corporation. I see no necessity for it being an absolutely close corporation.

1678. When I say "close corporation", I am quoting your words. What do you mean in fact by a "close corporation" ?—A corporation which would be in a position to say that its membership was quite large enough and that it would therefore close its doors for a period of so many years.

1679. Have you in mind the proposal that the practice of the profession of accountancy should be restricted to persons whose names would be on the register ?—Yes. A close corporation would be one which could close its lists. I am not one who agrees with the closing of lists for any of these purposes. An opening should be there all the time, because you might lose the most brainy members when the lists were closed.

1680. You would desire that anyone with experience of accountancy work should be allowed to carry on his business whether he was on the register or not ?—Yes, because I have so much confidence in my fellow-traders, small and large, that I know they will select the best men. I have a great admiration of my own fellow-traders, and I think that, although at times scathing things are said about them, they are the most estimable gentlemen in the community, if I might put it so.

1681. Would you agree that at the present moment there are among those who carry on accountancy work some who are less qualified than others ?—I believe that applies to every walk of life.

1682. Are your members, particularly the small traders, able to discriminate between the different categories when they are looking for a man to do their accountancy work ?—Absolutely.

1683. They are not puzzled by the large number of associations of accountants ?—No, I do not think they are. I rather fancy they are something like patients who require a medical man : they do not look to see whether he has a London degree or a Dublin degree or whatever it may be.

1684. They would want to know whether he was a good doctor ?—In the same way that I think they can discriminate as far as the accountant is concerned.

1685. Would you say that the small trader is injured in any way by the want of knowledge of the qualifications of the man he employs ?—I have never heard of such a case, and I have mixed with small traders the whole of my life.

1686. Have you ever heard of a trader discovering after the work has been done that he has employed an unsatisfactory man ?—Personally I have not.

1687. Are you aware of any demand amongst small traders for registration ?—I have never heard it expressed either at my own local Chamber or at our Annual Conferences where it is open to every member of every Chamber to put down a resolution for discussion. Although the circular I have referred to was sent out on March 30th, there was no resolution at the recent Annual Conference in Belfast.

1688. In paragraph **10** you tell us : "there is a large number of respectable and experienced persons who, although they are not members of any of the accountancy societies, do in fact carry out a great amount of responsible accountancy work, especially for smaller traders. They assist their clients in various ways in connection with the conduct of their businesses, and do not regard themselves as being so strictly limited in their advice and help as professional accountants usually do." Would these people hold themselves out to be accountants ?—They are secretaries of their organisations and I think many of them are imbued with the same social sense ; they wish to do something and that is their particular bent, and as secretaries of their organisations they give the small traders all the help it is possible to give them. Therefore they go beyond what an ordinary accountant would do, and they advise him in every possible way.

1689. I see from paragraph **11** that you consider that registration might bring about an increase in professional accountancy fees ?—Assuming that the list might be closed, there is no reason whatever why accountancy fees should not be increased.

1690. Do you mean there might be a general increase ?—There might easily be.

1691. Do the less qualified accountants charge lower fees ?—I cannot say that because I have not had any experience of anyone except the qualified accountant, and, speaking personally, I have never compared his fees with those of others.

1692. What do you mean when you refer to a qualified accountant ?—I mean, for example, a chartered or an incorporated accountant. The firm I belong to employs chartered accountants ; I could not say whether the fees of the others are lower, because I have never inquired. A chartered or incorporated accountant might do work for a small trader, and, of course, he could not charge the same. I think it should be thoroughly well understood that it is not always the more qualified man who charges the highest fees.

1693. In paragraph **12** (*b*) you say : "We realise that there will necessarily be very considerable difficulties in determining the basis of membership of the register under these respective heads." I do not quite follow what is intended here ?—If you read the first paragraph of **12** (*b*) I think that will be clear to you : "Subject to the foregoing condition the scope of the initial register should be sufficiently wide to enable all who are members of a recognised accountancy body, or who are qualified by examination, or by practice, to be placed upon it within a prescribed reasonable time." We think the difficulty will be, assuming that the Committee decide registration to be necessary, to say whether the limit should be a time limit or whether it should be something on the basis of membership.

1694. In your opinion the public, many of whom are small traders, are not suffering in any way as a result of the present state of affairs ?—I do not think they are.

1695. (*Mr. Branson*) : You have told us that ten of your local Chambers replied in favour of registration ?—I said less than ten.

1696. And that the secretaries of these Chambers are themselves members of some accountancy organisation ?—That is so. (*Mr. Howling*) : With one exception, to be precisely accurate.

1697. Can you tell me whether any of them are chartered or incorporated accountants ?—None of them are chartered ; they are incorporated or they are members of other societies.

1698. (*Mr. Walker Clark*) : Is the chief objection you have to registration the fear of increased fees ?—(*Alderman Aveling*) : No, I should not say that was my chief fear. I think when you have registration of any description it increases expenses the whole of the way round ; it sets up another organisation ; it requires more officials when we are trying at the present time to economise in every way possible. There are many reasons why I see no necessity for it. As far as the fees are concerned, there is a possibility of fees being increased if you close the doors by registration.

1699. Free competition at present must, to some extent, affect the fees ?—It must, I agree.

1700. Therefore, if you do away with the free competition, there would be increased fees ?—There would.

1701. At least there would be the opportunity ?—There would be the opportunity for increased fees ; I do not say that fees must necessarily increase, but the opportunity would be there.

1702. Is not that fear chiefly at the back of your objection to registration ?—I cannot say that it would be my chief objection, but it is certainly a strong one.

1703. But not the chief ?—I will put it as a strong objection. Possibly I should have bracketed three or four together.

1704. You say that the members of the National Chamber of Trade are able to take care of themselves. Would it not be right to say that the members of the National Chamber of Trade are the shrewder and more intelligent small traders ; would not the fact that they are organised show that they are ?—I have no hesitation in saying so.

1705. And, therefore, there are a large number who are unorganised and who might be taken advantage of in the present situation ?—I quite agree, but the opportunity is there for them the whole of the time, and if people do not avail themselves of the opportunity it is their own fault ; we cannot be nursemaids to everybody.

1706. Are you a Commissioner of Local Taxes ?—Yes.

1707. Have you had any experience of accounts prepared by incompetent or, shall I say, scarcely competent men ?—As a Commissioner you would know who prepared the accounts and you could form your own opinion because you have local knowledge.

1708. And that, to some extent, affects your judgment ?—It does.

1709. The fact that a man who presented accounts was a member of a recognised accountants' organisation would carry additional weight with the Commissioners ?—I agree.

1710. And some of the accounts are not regarded by the Commissioners as of any great value ?—They are not.

1711. (*Mr. Scott*) : I notice that in paragraph **4** of your Memorandum you emphasise the desire of your Chamber that everything possible should be done to increase the status of the accountancy profession ?—Yes.

1712. When you come to paragraph **6** you say : "Although the point is not one which immediately concerns traders, we think that it should be possible for a prescribed standard of qualification for public audit and accountancy work to be determined, and who should be regarded as approximating to that standard, without proposing legal registration as a way out of the difficulty." Apparently you are in favour of improving the status of the accountancy profession as a whole by setting up some standard. How can you attain that standard if you do not have registration or something equivalent to registration. It seems to me that you are arguing against registration and yet at the same time you are pleading for a sufficient standard, or, as you call it, "a prescribed standard". Who is it to be prescribed by ?—You have bodies at the present moment who have a very high standard. The main idea that I have in mind is that I want to keep up the status of the profession, and I cannot see that registration can possibly elevate the status of the profession.

1713. Is it not the case that a number of societies at the present time are not at all careful as to the standard of the educational and other qualifications of their members. In some cases they are admitting members without any examination ?—Agreed. You always have this sort of organisation set up partly by dissatisfied members, shall we term them, of an existing organisation or of a profession. There are a number of organisations which have a very strong membership and which I believe are still increasing their membership, which shows that other people are recognising them and are anxious to be in those particular organisations where the standard is high.

1714. On the other hand, we have large numbers joining the less well-known societies. Are you not in favour of placing some restriction on the growth of those societies ?—No. I think such societies will die a natural death.

1715. But they have shown no evidence of death during the last ten years ; it is the other way round ? —Have you considered the number of persons joining these particular societies as a percentage of the very great number who have entered the profession during the last ten years. I can quite understand small societies increasing in membership, but until you get down to percentages it does not say very much one way or the other.

1716. Is it not a certain menace to the profession, so far as the public are concerned, to have these inferior societies and persons unconnected with societies operating as accountants ? Is it not desirable to restrain those societies if possible unless their members are properly qualified ? In fact you go the length of saying that in paragraph **7** ?—Yes.

1717. You say : " We cannot see that registration would necessarily raise the status and practice of accountancy beyond that standard to which it has already been brought, and can be further elevated under systems of qualification and practice." But your Memorandum does not seem to indicate in what way you are going to arrive at this end, which you also refer to in paragraph **6**. Presumably you can only do so by adopting some system of registration ?—Personally I cannot see that registration is going to effect it.

1718. If under legislation you establish a National Board which will determine the qualifications which must be possessed by persons practising as accountants, you would have a prescribed standard ?—Yes, but possibly it would not be sufficiently high, and I would not like to see a Register of Accountants unless the standard were equal to that set at the present time by the principal organisations.

1719. Why should not the standard be sufficiently high ?—Until the scheme is in operation it is impossible to judge.

1720. If a Bill is suggested for registration, could not one of its provisions lay down that the standard should be sufficiently high ?—My reply to that would be that I should have to wait for the Bill and see what is said, because it is very hard to anticipate what would be done.

1721. Would it not be better for the accounting profession as a whole if every member of it had a certain standard of qualification ?—If the standard of qualification were as high as that which I believe has to be reached now by the various members of the principal organisations, it might be all right.

1722. Under those conditions registration might effect some good to the profession ?—It might, at very great cost.

1723. In what way would it be at very great cost ?—Either by increasing the fees to the general public, or by setting up some other body when, as I understand, we have so many institutions at the present time that might effect the purpose. If I might elaborate that for the moment, we have, I believe, at the present time, Chartered, Incorporated, and Certified Accountants, and I do not know how many others, and then we are going to add one more to all these. It seems to me at the present time there is a mania for putting initials after one's name.

1724. (*Mr. Wills*) : In answer to the Chairman, I think you said that registration might close the profession for a period of years and that that was one of your strong objections ?—Yes.

1725. Supposing that everybody who fulfilled certain conditions had the right to go on the Register, would you still object ?—Only from the point of view of multiplying initials and other considerations which I have mentioned.

1726. If the Register were set up by Act of Parliament, is it likely that there would be a power to close it in the way you suggest ?—It is very difficult to say what Parliament would do.

1727. Would it not be more likely that there would be no power to close the Register in that way and that anybody who satisfied the conditions laid down in the statute would have a right to go on the Register ? —If a clause were put in the Bill that the Register should never be closed, that would prevent it.

1728. A Statutory Board would probably not be given the power to close the list ?—I see no necessity for closing it.

1729. In that case the number of persons entitled to practise would not be restricted, but their quality might possibly, on the whole, be improved ?—Yes, so long as the list is left open the whole of the time. It depends on the individual and his own abilities as to where he is going to get ; it depends upon his own personality and abilities as to whether he is going to get to the top of his profession or remain at the bottom all his life.

1730. Would your objection to registration be lessened in any way if the list could not be closed ?—I still see no necessity for it. I cannot see that it is going to raise the status of the professsion, and although I am not a member of it, I am very jealous that the status should not be lowered in any way whatever.

(*The Witnesses withdrew.*)

MR. JAMES WATT, Ll.D., W.S. (Treasurer of the Society of Writers to the Signet), representing the Joint Committee of Legal Societies in Scotland, called.

The Committee had before them the following Memorandum by the Joint Committee of Legal Societies in Scotland :—

MEMORANDUM No. 30.

(*Note.*—This Report was prepared on behalf of the Society of Writers to the Signet, and has been adopted by the Joint Legal Committee representing the six principal Legal Societies in Scotland.)

1. Chartered Accountants in Scotland comprise three old and well-established Societies : one in Edinburgh, one in Glasgow, and one in Aberdeen. They co-operate in their rules and regulations as to apprenticeship, and have joint examinations. It is understood that the Scottish Chartered Accountants

themselves have given full details as to these matters, but it may be said on behalf of the Society of Writers to the Signet that the training of Chartered Accountants in Scotland is considered to be on a high standard, and they are looked upon as a thoroughly efficient body.

2. A large proportion of the work done by Chartered Accountants in Scotland is in auditing the books of Companies, Trusts, Estates, and individuals. So far as the Society of Writers to the Signet is concerned, the experience is that their work is well and satisfactorily done, and their professional status and conduct have given satisfaction to members of the Society and to their clients. No difficulty has been found owing to the fact that a certain limited number of outside accountants do auditing, mostly, it is believed, of a minor character. They are little employed by members of our Society.

3. The other work of accountants—namely, that of account keeping—is in a somewhat different position. No doubt accountants are employed in the keeping of accounts for Companies, Trusts, Estates, and others, and in many cases those so employed are Chartered Accountants. At the same time the accounting staff in most businesses must contain a number of men doing what might be deemed accountants' work who are not passed Chartered Accountants.

4. A large proportion of the work of Writers to the Signet and other practising Solicitors in Scotland is to keep the accounts of Trusts and of personal clients, and to do the whole accounting work in connection therewith. It is not part of the arrangement that either the partners in firms or the members of their accounting staffs, often men of great experience and ability, should be Chartered Accountants, and indeed it is almost unknown that they should be so. The accounts so kept by practising Solicitors in Scotland are frequently audited by Chartered Accountants.

5. It may be added that the legal profession in Scotland has for many years regarded a knowledge of book-keeping as essential, and that save where the intrant to the profession holds a University degree he has been required to pass an examination in book-keeping, and that latterly an examination in accounting has also been prescribed.

6. To a small extent Writers to the Signet audit accounts of others, but it is believed that that may be treated as a negligible quantity.

7. It appears to the Society that there is no need, for the protection of the public, to change the arrangements under which accounting work is done. Any attempt to insist on all persons doing accounting work being registered, and to exclude all not so registered from doing accounting work, would interfere very much with the work of Writers to the Signet and other practising Solicitors, unless the definition of accounting work was such as to exclude all the accounting work now usually done for clients. Such a definition would be wellnigh impracticable.

8. If, on the other hand, a rule was made by legislation that all who now do accounting work should be registered or lose their rights, that would apparently bring in a large number of people, some skilled and really qualified, but many not so, and in the end this might lower the prestige of the accounting profession. Further, existing members of the legal profession might be brought in and future members excluded.

9. The difficulty in defining accountants and accountancy in such a way as not to cause material hardship both to those who are doing what may be called accounting work and to those employing them, without any corresponding benefit to the public at large, seems to be a sufficient objection to any system of registration.

10. An important illustration of this is the subject of income tax—obviously a combination of law and accounting—which may be of the first importance in complicated cases ; while to suggest that a simple claim for return of income tax would be an encroachment on the accounting profession would be unreasonable.

15*th April*, 1930.

MR. JAMES WATT examined.

1731. (*Chairman*) : We have your Memorandum before us ; would you like to add anything to it ?—No, I have nothing to add, except what any questions you may put to me may suggest.

1732. You represent, I understand, the Joint Committee of Legal Societies in Scotland ?—Yes.

1733. Can you give us the names of the Societies represented on the Joint Committee ?—The Society of Writers to the Signet, The Society of Solicitors in the Supreme Courts, the Faculty of Procurators in Glasgow, the Scottish Law Agents' Society, the Society of Advocates in Aberdeen, and the Faculty of Procurators and Solicitors in Dundee.

1734. The first part of our Reference is to consider and report whether the registration of accountants is desirable. You touch on this question in paragraph **7** of your Memorandum where you mention the work of Writers to the Signet and other practising solicitors. Could you tell us whether you know of any public demand for registration ?—Not that I have ever heard of.

1735. Have you heard of any complaints by the public regarding the present position in the accountancy profession ?—No.

1736. In paragraph **2** you say : " No difficulty has been found owing to the fact that a certain limited number of outside accountants do auditing, mostly, it is believed, of a minor character." What exactly is meant by " outside accountants " ? Does it mean accountants other than those belonging to the chartered societies ?—Outside the chartered societies.

1737. Men who are practising on their own ?—Yes.

1738. Does your suggestion that the greater part of the accountancy work in Scotland is done by chartered accountants apply to the towns chiefly or to the country as a whole ?—In the towns, where the work is specialised, it will have a tendency to go to the chartered accountants more than to others. Mr. Scott will tell you probably that some of the Bank Agents in Scotland may really be practising in a small way as auditors, where more proficient men are not available.

1739. With regard to accountancy work other than auditing, you tell us in paragraph **3** the situation in Scotland so far as employees are concerned. At the present time anyone, whatever his qualifications, can hold himself out to the public as an accountant. Have you any evidence to show that people who are not fully qualified do offer their services as public accountants ?—Take one of the leading firms in Edinburgh, one of the partners is not a chartered accountant.

1740. You are speaking of people who are not chartered accountants but have considerable experience. Presumably there are people to whom one might not so readily go, who are practising but have not such experience ?—Undoubtedly, just as there are people who technically have the qualifications, to whom you would not go.

1741. Do you think the public are suffering as a result of employing men in either category ?—I do not think they are.

1742. You do not think the small trader suffers ?—I do not think so.

1743. He is competent to discriminate as to the kind of man he would ask to do his work ?—I doubt that, but possibly he cannot afford to pay for more expensive work, and if he gets through and gets there, it is about as much as the small trader in these days can do.

1744. He does not suffer from unqualified people ?—I do not think so. I do not think he is imposed upon.

1745. Some men are practising accountancy as a part time occupation ?—They eke out their living in that way.

1746. Do you regard that as unsatisfactory ?—There are many men who have risen to eminence who have had to do that to begin with.

1747. We have heard of men who have been expelled from societies but still continue to practise on their own. Have you any knowledge of such cases ?—No. I never heard of them ; I do not know of a single case.

1748. There is nothing to prevent it at the present time, is there ?—Nothing whatever.

1749. Do solicitors hold themselves out to the public as ready to do accountancy work ?—Not as a rule. In any place such as Edinburgh there would be considerable jealousy if any legal firm set itself out to do accounting work. As a matter of fact, in my firm one of my partners is a Chartered Accountant in addition to being a Writer to the Signet, and in Aberdeen there are one or two cases of the double qualification. I think it is of importance that a lawyer should have a material competency in regard to accounting, else he cannot be of help in regard to commercial matters which involve both law and accounts.

1750. He must have the knowledge in order to pursue his legal work, but he would not use it for other purposes ?—Yes. May I say that it has been suggested that the registration of accountants is something analogous to the registration of law agents or solicitors. I do not think the analogy is complete. In law in Scotland, and I think in England, a solicitor has two functions ; he has to appear in the Inferior Courts, or to instruct an advocate or barrister to appear in the Supreme Court ; he has also to do the ordinary conveyancing work. Now it is obvious that if there is to be an appearance in Court it must be made by somebody who has a qualification ; you cannot give the right of audience to anyone who knows nothing about Court procedure, who has no sense of responsibility as to the statements which he may make to the Judge, and from that point of view it is necessary that you should have a code and a society able to pick out at once responsible men. Then, even taking the other side of the profession, solicitors' work is mostly with other solicitors, and they therefore, in a sense, have to know who they are dealing with and to have a code of honour and procedure amongst themselves. Accountants' work is very rarely conducted with other accountants ; they are responsible as it were to their clients, but they have not, except in so-called skilled evidence in Court or otherwise, the contact with each other which has to arise between solicitors practising in the ordinary way. I mention that to show that there is a sharp distinction, it having been suggested that there was as much reason to register accountants as there was to register solicitors.

1751. (*Mr. Bellman*) : In paragraph **6** of your Memorandum you say : "To a small extent Writers to the Signet audit accounts of others." What type of accounts have you in mind there ?—Perhaps it might be estate accounts.

1752. Personal accounts ?—Or trust accounts.

1753. There would be no accounts of public companies ; they would be mainly private accounts ?—Yes. They would represent work which probably arose incidental to their law work.

1754. In paragraph **8** you say : If, on the other hand, a rule was made by legislation that all who now do accounting work should be registered or lose their rights, that would apparently bring in a large number of people, some skilled and really qualified, but many not so, and *in the end* this might lower the prestige of the accounting profession. Conceding that at the outset it might perhaps be essential to admit to any register some indifferently qualified people, do you not think that *in the end*, and I am using your phrase, the tendency would be to increase the prestige of the accounting profession, because of the facilities for control and discipline that registration might conceivably bring about ?—My feeling is that after all the prestige of the profession depends not upon its general body of members, but upon its leading members, and therefore probably the statement goes too far ; instead of *in the end*, probably it would be seen more *at the beginning*.

1755. Do you share the view that in the end the prestige might be favourably effected, rather than detrimentally ?—It depends entirely upon the tests which were applied.

1756. And the discipline and the control exercised ?—And the discipline.

1757. (*Mr. Branson*) : Am I right in thinking that in parts of Scotland the only man available to advise the public on such questions as come within the scope of an accountant's work is the law agent ?—I should think in the remote parts, yes.

1758. I have been given to understand there is a good deal of the country where, if you wanted advice on accountancy, the only man you can go to is the local lawyer ?—Or the local bank agent.

1759. (*Mr. Walker Clark*) : You said, in answer to my Lord Chairman, that there is a section of small traders which cannot afford to pay the fees of a fully qualified man ?—Yes.

1760. Are the fees of the fully qualified man higher than those of the less well qualified ?—Certainly.

1761. They are ?—Yes, that is to say, the scale of fees which a chartered accountant may put forward. The standard rate is naturally much higher than that which a man who is eking out his income in the evening would seek to charge.

1762. Then you suggest that a Register would handicap a man who was eking out his living by doing spare time work because he would not be able to get on to the Register, if I understood you correctly ? Would not that man be able to pass an examination and thereby get on to the Register ; I mean a man who was able to rise to eminence ?—Not necessarily. I do not believe that half the members of the Councils of the Chartered Societies in England or Scotland could pass their own final examination to-day.

1763. You also informed us that firms of solicitors often have a Chartered Accountant to do the accountancy work which arises in connection with their legal business ?—Yes, not infrequently—sometimes he is a partner.

1764. He would have legal qualifications as well ?—Before he could be a partner he would have to qualify as a solicitor.

1765. You suggested that every lawyer should have some knowledge of accountancy ?—Undoubtedly, I have advocated that.

1766. You would not suggest that it should be part of the training of a law student that he should pass, say, the preliminary examination in accountancy, would you ?—The preliminary examination in accountancy is not, I think, suitable for the purpose, but that he should pass an adequate examination in accounting and bookkeeping, whether he has a degree or not, is very strongly my opinion.

1767. (*Mr. Scott*) : I suppose we may take it that the six legal societies whom you represent really are the legal profession in Scotland ?—They control the legal profession in Scotland.

1768. Have you seen the evidence submitted by the three Chartered Accountants' Societies of Scotland ?—Only of one, the Edinburgh society.

1769. They are more or less similar. You probably agree with the Edinburgh Chartered Accountants that almost the whole of the important accountancy work in Scotland is done by Chartered Accountants ?—Undoubtedly.

1770. And that the question of registration would never arise if only Scotland were concerned ?—I agree.

1771. In other words, so far as you are aware there is no call for registration as regards Scotland ?—I do not think there is a demand, and I know of no reason to cause a demand.

1772. You have told us that a certain amount of accountancy work requires to be done by legal firms. Would your objection to registraton be affected if the members of such firms, whether they were Chartered Accountants or otherwise, doing accountancy work in connection with their ordinary business—in connection with estates or bankruptcies for example—were allowed to continue to employ accountants who could still call themselves accountants but who would not be members of any recognised body ?—Speaking for my own side of the profession, I do not think it would make any difference to us.

1773. There is no cause, in other words, to oppose registration provided these men are allowed to continue ?—Providing that registration is not so exclusive as to arrogate to those who are registered, work which we regard as within our own domain.

1774. May I ask you to assist the Committee with regard to the case of England. You have, of course, really appeared for the legal bodies of Scotland, but this question is a national one, and the circumstances are different in England. If you have had an opportunity of seeing any of the statements with regard to the accountancy profession in England, you will have seen that there is a number of societies whose qualifications do not reach the standard which the Chartered Accountants' bodies demand, either from the educational point of view or the practical point of view. Would you, speaking impartially, say it is desirable, if possible, to restrict the operations of these societies or of people not connected with any societies, who are calling themselves accountants but are perhaps not fully qualified ?—You ask me to do something which it is next to impossible for any person to do, to place myself, as it were, in an English atmosphere, but I do not see at the moment, speaking from the Scotch side, why registration should be needed.

1775. It appears that during recent years especially a large number of people whose standard of qualification is not very high have joined societies or have been practising as accountants though not members of any society. If a Registration Bill was introduced, would it not be possible to improve the status of the profession as a whole by dealing with this aspect of the matter ?—I have not yet heard what harm they have done.

1776. Except that you may have people doing accountancy work who are not really qualified for it ?—That is begging the question. To say that a man is not a Chartered Accountant does not prove that he is not fitted to do Chartered Accountant's work.

1777. No, but we might reasonably infer, might we not, that a member of a society who gets in practically without any examination at all, and without too strict an investigation as to his practical knowledge, is not the sort of person whom you would care to employ as an accountant ?—That may be so, but then you have to consider whether what is going on is doing harm. Of that I have never heard the evidence.

1778. In other fields it has been found desirable to introduce some measure to debar people who are not properly qualified from imposing themselves on the public. Is it not desirable that similar steps should be taken as regards the accountancy profession ?—I have already distinguished between accountants and solicitors and given a reason why you have to restrict it in the case of solicitors, but I do not know any profession, take law, take medicine, take accountancy, where the person has not to learn his life-business mostly after he is so-called qualified.

1779. You are, perhaps, not anxious to say much about England ?—I do not think there is anyone at this table who would care to sit down and give an answer to questions in economics which are far above youths of 22. The examination which they are compelled to pass may prevent quite capable fellows getting through because they do not have the examination temperament or have not had the examination tuition.

1780. I do not think anyone here is at all questioning the qualifications of Chartered Accountants and the other leading bodies of accountants in England, but we have to consider the case of the nondescript people up and down the country who hold themselves out as accountants. They do some kind of work in a small way and still they hold themselves out as accountants and they tout for business. There are some societies formed in a loose way and the whole question is whether it is not desirable, even from the point of view of Chartered Accountants, that we should put some control on this sort of thing ?—I do not think the formation of these societies in itself proves that harm is being done. I would desiderate some evidence that men who have been so admitted have really committed a fraud on their clients or shown gross incapacity for doing the work that the clients were led to believe they could do.

(*The Witness withdrew.*)

MAJOR W. H. HAMILTON, J.P., T.D., F.A.L.P.A. (Vice-President and Chairman of Legal and Parliamentary Committee), and MR. JOHN STEVENSON, Barrister-at-Law, F.I.S.A. (General Secretary), representing the Incorporated Society of Auctioneers and Landed Property Agents, called.

The Committee had before them the following Memorandum by the Incorporated Society of Auctioneers and Landed Property Agents :—

MEMORANDUM No. 31.

1. The Society is practically interested in Accountants Registration because—

(*a*) A cognizable proportion of its membership, particularly in country districts, practises Accountancy in addition to Estate Agency.

(*b*) The policy of the Society being in general one of professional betterment, the Society strongly favours Registration measures, provided they are equitable and not monopolistic, holding that Registration provides the only means by which the various professions can be effectively controlled from within their own ranks, entry into such professions regulated, and discipline exercised.

2. Relative to (*a*), we would warn the Committee against recommending proposals that would be in restraint of trade, and would hinder from earning a livelihood those now practising accountancy in addition to other activities of only a quasi-professional or commercial nature.

3. Experience has shown that Parliament, especially at this time of increasing unemployment, refuses to interest itself in proposals of a sectional nature, and which, while benefiting some, are not looked on with favour generally.

4. As regards (*b*)—the general principle of Registration—the Society strongly submits that this, to be of practical use, should be compulsory and not permissive. It hopes that as a result of the Committee's deliberation a Bill may emerge to provide for Accountants Registration that would also serve as framework for subsequent Bills to effect Registration of those practising other and somewhat similar professions.

5. The Society considers the first principle of Registration should be to recognise the entitlement of all in a principal or managerial capacity to placing on the Register if so practising or acting at the time the Bill passes into law. The tightening of conditions of entry to the Register, including insistence on educational qualifications, should be subsequent, not antecedent.

April 4th, 1930.

MAJOR W. H. HAMILTON and MR. JOHN STEVENSON examined.

1781. (*Chairman*): We have received your written evidence; would you like to supplement it in any way?—(*Major Hamilton*): We, as estate agents, realise that the profession of accountancy has grown in recent years to such an extent with our national life that the public interest should be protected in every way. We feel that the accountant should be safeguarded as members of the other great professional societies are safeguarded. We have had instances where gross malpractices have occurred, but they have not been sufficient to come within the purview of the law. It is not necessary for me to enumerate the whole of the societies who deal with accountants, but we find that by reason of the various societies and the competition to secure members, their executives are either unable or unwilling to bring sufficient pressure to bear when irregularities are brought to their notice that we should like to see carried out. They are either unwilling or they have not the power.

1782. Are you suggesting that the societies do not sufficiently control their members?—We think that they do not sufficiently control them to the extent that the public are justified in expecting.

1783. On account of competition?—Yes. And we feel that the only remedy for it is registration when they will have some statutory authority behind them to bring disciplinary action to bear on practitioners who go in for what we consider to-day gross professional misconduct. That is the chief reason for going in for registration.

1784. Have you evidence to show that there is gross professional misconduct?—We have had cases from time to time, my Lord, which we would consider, and I think you would consider, professional misconduct; questions of touting and all that sort of thing, bringing undue pressure to bear on clients or soliciting business. We consider that in these days that is not in the best interests of any profession.

1785. Touting perhaps would come under the heading of unprofessional conduct?—Yes.

1786. You used the word "malpractices". Have you evidence of cases in which the clients have suffered?—We have evidence, my Lord, of accounts being prepared or audited in such a way as to be border line cases, almost criminal cases, but not sufficient to justify legal action.

1787. Do cases of that character occur in the work of accountants who are not members of societies or also in the work of those who are members?—I have never come across a case of a gentleman who belonged to the chartered or incorporated societies, but I have of other societies.

1788. Societies who have power to exercise discipline over their members, but who do not do so adequately, so as to protect the public, in your opinion?—That is our view.

1789. In paragraph 1 of your Memorandum you tell us that a cognisable proportion of your membership, particularly in country districts, practices accountancy?—Yes.

1790. Would you tell us the nature of the accountancy work they undertake?—(*Mr. Stevenson*): I found that it was particularly in the North of England where estate agency and accountancy go more together than in other parts, in the same way as we get architecture and surveying going together in many parts of the country. You do not get the practitioner wholly an architect, but he is also partly a surveyor. I did not find so many estate agents who are also accountants in the South, nor can I tell you exactly how far such combined practice extends.

1791. My question was rather whether you could tell us the nature of the accountancy work which they undertake?—Presumably of the same type as in London, but for smaller types of provincial firms; that is, preparing the annual audits of such firms' accounts for whom they may be instructed in estate agency matters also.

1792. You represent auctioneers and landed property agents, do you not?—Yes.

1793. That is the work on which your members are engaged?—Yes. May I add one or two remarks. I know that you would very properly rule me out of order if I made any remarks on the subject of registration of other professions, as naturally this is a Committee relating to accountants' registration, but I would rather like to say that it is something analagous. During the course of the last five or ten years Parliament has given attention to the matter of registration of architects, estate agents, dentists, etc. And now as regards accountants, the main argument advanced against registration has been (as previously with other professions) that, if it were carried through, the qualification which would be sufficient to obtain registration would be less than is now required by the professional examinations of the senior bodies. We do put it to you that there have been, and are continuing, malpractices in accountancy as in the other professions, and that if registration is contemplated by this Committee in its Report, it is hoped that the Committee will not be too much influenced by the point of view of the most senior of the professional societies. There has been a movement in the past rather for a monopoly in registration, and the most senior of the professional societies have inclined to take the point of view that if they do not get the type of registration which would be most suitable to them (I mean the Chartered Accountants or the Royal Institute of British Architects or the Surveyors' Institution, as it may be) then no other kind of registration would have their support. We think that the public point of view ought to come first and foremost, and that the public would be benefited, and the profession itself would be benefited in the long run, by a scheme of registration.

1794. You again, if I may say so, use the word "malpractices". Do you consider that the public at the present moment need to be protected in the matter of accountancy?—Yes, definitely.

1795. Do you consider and have you evidence to prove that the public are suffering from the present

state of affairs?—I must say that I wish I had come armed with recent cases. There are cases in the criminal courts proceeding at the present time and also others where the criminal law apparently is not strong enough to deal with the matter. I take the same line as Major Hamilton, that there have been a very large number of border line cases, not so much as regards Chartered Accountants or Incorporated Accountants, but persons who call themselves accountants, who merely put up a board that they are accountants and give the public the impression that they are competent to carry through the practice of accountants and auditors; and the loss to the public by reason of their lack of knowledge of their profession must be large in the long run.

1796. Major Hamilton told me that some of these cases were of men who belonged to societies?—(*Major Hamilton*): Yes, my Lord.

1797. Would registration improve matters?—I think there would be a council very much like, we will say, the Medical Council or the Council that now deals with estate agents, who would have those men on the carpet and do as I have known other societies do. May I bring in another case to give an instance of the cases which have been reported to one of the senior societies in our profession; not quite a criminal case but very nearly. The result has been that the Council has said: "You must not do it again"; they have not felt strong enough to disbar them. We realise that the dentists by their registration have made a great success of it. They did bring in men then who probably were not as well qualified as you and I would wish them to be, yet they have brought their conduct up to a very much higher standard than was realised before. Touting and that sort of thing has ceased, and in future every man will be qualified.

1798. Would it be as easy to define an accountant as it is to define a dentist?—I do not think it would be beyond the wit of some of the gentlemen who direct our Parliamentary legislation. There is one other point that I have always felt very strongly about, and that is the question of Articles. The senior societies seem to think that it is necessary for a man to serve his Articles. I know some of the most eminent men who have gone to some college, or say an estate agent has taken his degree at Cambridge or studied at a recognised centre and it has not been found necessary for him to be articled to a firm of architects or surveyors. A young student may go to the College of Estate Management and he will come out of there well prepared and fortified to take his place as a professional man, and we say that the question of Articles, although useful, is not necessary. That is the difference of view between the Society of Incorporated Accountants and the Chartered Accountants. We look upon both as equal in qualification.

1799. What is the membership of your Society?—(*Mr. Stevenson*): 2,700.

1800. What are the conditions of entry?—Since the end of 1929 the examination has become compulsory, except in very special circumstances. We started our examinations in 1925 with Dr. Graham Little, M.P., as our Honorary Director of Educational Studies.

1801. When was the Society set up?—Towards the end of 1924.

1802. At first you did not have examinations, I understand?—No.

1803. Were members accepted on a practice qualification?—By a practice qualification laid down in the Articles of Association. At the first examination we held we had only 7, and this year we had 80 candidates. Now we have extended to Scotland and we shall hold our first Scottish examinations in 1931.

1804. Do your members only undertake accountancy work when it is connected with auctioneering and landed property work?—We have a certain number of members whose notepaper says: "Accountant and Estate Agent."

1805. Would they be qualified to do ordinary accountancy work?—Some of them are members of the Incorporated Accountants and Auditors, or the London Association of Accountants or bodies of that kind.

1806. Are they practising as such?—As such. May I add one more word. When the Committee come to the question of their Report, we do most strongly emphasise that if this is a question of being in favour of registration or against, we think purely permissive registration, as we say in our Memorandum, is totally useless.

1807. You want it to be compulsory?—Compulsory. Legislation allowing a man to be registered if he chose, and not if he did not choose, would be quite useless.

1808. You would want compulsory registration: I presume you mean that an auctioneer or an estate agent would not be able to practise accountancy unless he was on the Register?—Quite.

1809. Have you any evidence of a public demand for registration?—It is very difficult to know what constitutes a public demand.

1810. You have told us that in your opinion there are a certain number of malpractices taking place in the profession. If the public were very much injured by them, would there not be an outcry and a demand for an improvement of that state of affairs?—Quite. I think they look to the professional societies to put that demand forward.

1811. Have you any evidence of a public demand?—The public really does express itself a good deal through the newspapers, and when one gets leading articles in the papers saying something ought to be done on this, that or the other, it is evidence of some sort of public demand.

1812. (*Mr. Bellman*): I am not quite clear how far your Society is interested in the question of registration on personal grounds. Would you suggest that the Estate Agent and Accountant to whom you refer should be eligible for admission to the Register?—(*Major Hamilton*): Yes. I cannot give the names of the members concerned for the moment, but I believe there is one at Peterborough at any rate. I have within my knowledge five very reputable firms of estate agents and accountants who have been doing accountancy on pretty broad lines, and have been accepted locally by the County and local people to my knowledge for over 20 years.

1813. What sort of accountancy work do they do. Is it merely the preparation of accounts on behalf of small local firms or are they actually engaged in auditing and carrying responsibility for the accounts of large undertakings?—The firms I have in mind have been preparing accounts for brick companies, garages, and certain other undertakings in the vicinity in which they practise.

1814. Are the partners in any of these firms members of the better known accountancy bodies?—No, I am sure they are not; they may be members of some of the newer societies, what you would regard as the junior societies.

1815. Would you be prepared to recommend that members of your profession, that is to say men who are primarily estate agents but who may undertake a certain amount of accounting work and are not members of any well recognised accountancy body, should be admitted to the Register?—Not new members; those who have been for a period of say 10 years and upwards recognised as accountants in their profession should be admitted, but no fresh ones.

1816. When you say "recognised as accountants" you mean recognised as members of an accountancy

organisation ?—Those who have become by many years of practice recognised as reputable and good accountants. If I had known I was going to be asked I could have obtained the names of 20 firms who are practising today, and as far as we can appreciate the recognised opinion of the County, they are accepted by good firms as reputable accountants.

1817. In a reply to my Lord Chairman, you referred to the failure of certain accounting organisations to control their members. I do not want a detailed answer, but I take it what you had in mind was not the failure on the part of the better known, the leading accountancy bodies, but perhaps of the smaller bodies? —That is so.

1818. There is no failure to control so far as the leading bodies are concerned, is there ?—No, I do not think I have ever come across a case of an Incorporated Accountant or a Chartered Accountant doing anything that I would call colourable, but I have amongst the others.

1819. The words you used just now were "gross malpractices". I take it that those gross malpractices, again, are not identified with the principal accounting bodies ?—No.

1820. (*Mr. Kenneth Lee*): Do you think the public are capable of choosing a suitable accountant ?—I am afraid the ordinary man is not, just the same as he does not seem to exercise wise discretion in choosing any one in our profession.

1821. Do you suggest that a man in business cannot discriminate between a reliable accountant and an incompetent one ?—I think he could discriminate, but unfortunately he does not.

1822. Surely having regard to his own business interests he would pay great attention to the person he chooses to look after his books ?—One would think so, but they do not. I know many cases of very big firms indeed who have entrusted their accounts to people who have proved by years of experience to be good accountants, but such Accountants' evidence might not be accepted in a Court of Law as an authority on account of their not being members of one of the senior societies.

1823. I am not suggesting that the member of any society is necessarily more capable. Surely what a man wants is to have his accounts properly audited and to have proper advice ?—I agree there, but I think you will admit that unfortunately there are a large number of people who seem to think that, if a man has some sort of degree or letters behind his name, it is some indication that they are going to get honest and responsible service.

1824. Surely the trader is a tolerably competent individual. You do not suggest that he is so incompetent that he cannot discriminate ?—No, I do not suggest that, but I suggest that many people are unfortunately misled.

1825. Are you alluding now to very small traders ? —No; fairly big ones, some of them are. I am more particularly alluding to people who are responsible for trust moneys and in some cases accountable to somebody else.

1826. We have had no evidence up to date that the public are suffering to any extent. Your evidence is rather exceptional.—I will give you one case in point. I was appointed the trustee of a club for ex-soldiers. An auditor was sent there from a society and I had no option but to accept him. I may say that the club's money has gone.

1827. That was due to appointing an incompetent auditor ?—I would say an unsatisfactory auditor.

1828. The auditor took the money ?—No, he did not take the money but he was so lax in his duty that it encouraged other people to misappropriate the money.

1829. (*Chairman*): That was a question of character and not one of ability ?—Yes, my Lord, but I think if there had been registration that man would have been a very little while carrying on that sort of thing.

1830. (*Mr. Scott*): You suggest in your Memorandum here that registration ought to be compulsory ?—Yes.

1831. Does that imply that all your existing members should automatically be put on the Register ? —No, certainly not.

1832. What qualification would you submit him to before the individual should be registered ?—I do not know how to put it in legal language, but it would be something like this: no man unless he had been recognised and could produce County or reliable evidence that he had been practising as an accountant for not less than ten years and was reputable and a man of high character and integrity should be on the register; in future no man who is an estate agent should be eligible for registration as an accountant, because it should be a separate profession in the future.

1833. Then you would have a divided membership under such conditions ?—No. We would have no jurisdiction whatever over our members as accountants.

1834. You say registration, if it takes place, ought to be compulsory. I should like to know if you would assume that all your members are by reason of their membership to be eligible for registration as accountants ?—No.

1835. You would be willing, as a Society, that each existing member of your Society should be required to satisfy whatever body is set up ?—Certainly.

1836. Would you apply the same rule to most of the other societies or would you exempt any ? Would you exempt Chartered Accountants, for instance, from satisfying the National Board, or whatever body is set up ?—I think if the National Board were set up they should have evidence from other than the senior societies before they give a judgment.

1837. In other words, everyone would be required to satisfy the National Board ?—Yes.

1838. (*Mr. Wills*): Have you had any cases of unprofessional conduct or malpractices in your own Society ?—Yes.

1839. Have you dealt with them stringently ?—The members have been expelled.

1840. You found no difficulty in dealing with those cases firmly ?—No, but we have had other cases in which, I think, if we were registered we should have taken a very much more stringent and severe step; what I call some of these borderline professional cases, that is canvassing and touting and that sort of thing.

1841. I ask merely because you said that other societies have had difficulties in dealing firmly with this sort of question ?—Yes. To-day we are in that position that we can take fairly strong steps with our people who do not come up to standard, but not with outsiders practising.

1842. Are you in a position to take stronger steps in regard to the members of your own profession than the accountants' bodies are in regard to theirs ?—No, not the two senior societies.

1843. I had in mind the other societies ?—Yes.

1844. You are in a position to take stronger steps than the other societies ?—Yes.

1845. (*Chairman*): Have you any knowledge of what has become of the individuals who have been expelled from your society ? Are they continuing to practise ?—They have in some cases, and our solicitors have brought legal action against them to stop them from using our letters; however, they still go on practising.

1846. (*Mr. Scott*): I am not quite clear upon this point. In the event of many of your members not being held to be qualified by whatever body is set up to test qualifications, what is going to become of them ? Are they to cease work as accountants ?—Certainly. If they do not come up to the standard we should not bolster up inefficiency for one moment.

1847. So they would not be entitled to carry on as accountants of any kind ?—No, not if the proper statutory authority came to the conclusion they were not qualified.

1848. And all those people who are practising now as accountants without any real authority behind them could no longer practise ?—No.

1849. That is if they could not satisfy the Registration Authority ?—No, I would not say that. I think you want to go on nearly as broad lines as the dentists did, viz., that all of repute who were *bona fide* accountants for the past five, ten or more years, whatever period you thought fit, should go on automatically.

1850. I mean in the case of those who cannot satisfy the National Board, you quite agree that they should cease to practise at once ?—No, I could not go so far as that. I should say you would have to go on as broad and democratic lines as the dentists took.

1851. If the scheme is made compulsory then you are going to have your membership split up, and many of your members will not be entitled to take on accountancy work ?—If there were a few who came in that category as inefficient, we should be content for them to go, we should have to; we cannot bolster up inefficiency.

(*The Witnesses withdrew.*)

MR. ARTHUR DOWNER, F.I.S.A. (*Chairman of Council*), MR. PATRICK HOWLING, F.I.S.A. (*Chairman of the Law and Parliamentary Committee*) and MR. W. C. STEVEN (*Secretary*), representing the Incorporated Secretaries Association, Limited, called.

The Committee had before them the following Memorandum by the Incorporated Secretaries Association, Limited :—

MEMORANDUM No. 32.

1. The Incorporated Secretaries Association is pleased to take the opportunity which the Committee has afforded it to set forth its views on the matters referred to the Committee for consideration and report, and it submits this Memorandum in the hope that it will be of service to the Committee in its deliberations.

2. The Association was incorporated on the 14th day of March, 1907.

3. The principal Aims and Objects of the Association are as follows :—

(*a*) To provide a central organisation for Secretaries of Limited Companies, Corporations, Public Bodies, Government Departments, Associations, or other Societies in order to secure for them a definite and recognised professional status, to safeguard and advance their interests, to take such steps as may be necessary to infuse and encourage enthusiasm for greater general efficiency and to impose the observance of proper professional conduct.

(*b*) To devise means of testing the qualifications of candidates for admission to membership of the Association by examination in the theory and practice of secretaryship and cognate subjects, and to issue certificates of competency to successful candidates.

(*c*) To hold conferences and meetings for the discussion of professional matters and duties, the reading of papers and the delivery of lectures, to issue copies or abridgments of papers, lectures, records and other memoranda, to instil a high standard of professional ability by means of the periodical issue of the Journal of the Association, and generally to disseminate professional secretarial knowledge, with a view to improving and raising the status of the secretarial profession and of members of the Association in particular.

4. There are two degrees of membership—Fellows and Associates, the designatory letters being F.I.S.A. and A.I.S.A. respectively.

No applicant is eligible for admission as a Fellow until he has attained the age of twenty-five, has passed the Intermediate and Final Examinations of the Association, or has been granted dispensation therefrom, and is engaged as an Assistant Secretary to a Limited Company, Corporation, Public Body, Government Department, etc., or is occupying a position considered by the Council to be equivalent thereto, and has been continuously in practice for not less than five years.

No applicant is eligible for admission as an Associate until he has reached the age of twenty-one, and has passed both the Intermediate and Final Examinations of the Association, or has been granted dispensation therefrom, and is engaged as an Assistant Secretary to a Limited Company, Corporation, Public Body, Government Department, etc., or holds a position equivalent thereto, and has been continuously in practice for not less than three years.

The Association has, at the date of this Memorandum, 2,961 Members, of whom 1,205 are Fellows and 1,756 are Associates, in addition to three Honorary Members.

No candidate is permitted to sit for the Examinations of the Association unless he has been registered as a Student or Graduate, and the number enrolled as at the date of this Memorandum is 1,280 Students and 669 Graduates.

5. The Examinations are held twice every year in accordance with the Bye-laws of the Association, and are as detailed hereunder. During the four years from 1926 to 1929, 3,039 candidates entered for the Examinations; of this number 547 passed the Final and 1,069 passed the Intermediate, representing 57 per cent. and 51 per cent. of the respective totals.

(a) *The Preliminary Examination.*

This Examination consists of the following subjects :—(i) English; (ii) History and Geography; (iii) Mathematics (*a*) Arithmetic, (*b*) Algebra, (*c*) Geometry; and (iv) one of the following subjects selected by the candidate (*a*) Latin, French, German, Spanish or Italian, (*b*) Shorthand.

Any person upon satisfying the Council that he graduated in any University approved by the Council or has passed various other examinations of a similar or higher standard may be exempted from passing the Preliminary Examination of the Association.

It should be noted that the Preliminary Examination is merely a test of general education, and does not deal with any professional subjects.

(b) *The Intermediate Examination.*

This Examination consists of the following subjects : (i) Commercial Arithmetic, (ii) Secretarial Practice, Drafting Reports, Preparing Minutes, Resolutions and Procedure at Meetings, (iii) Precis-Writing, Commercial Correspondence and the Filing and Indexing of Documents, (iv) Book-keeping and Accounts, (v) Mercantile Law, (vi) Company Law or, with the permission of the Council, one of the following Branches of Law, relating to :—

Real and Personal Property.	Railways.
Shipping.	Gas.
Water.	Electricity Supply.
Insurance.	Building Societies.
Public Health.	Rating.
Highways.	Education.
Lunacy and Mental Deficiency.	Public Assistance.

and (vii) Economics or a Foreign Language.

(c) *The Final Examination.*

This Examination consists of the following subjects :—(i) Secretarial Practice and Methods and Machinery of Business, (ii) Law and Conduct of and Procedure at Meetings, (iii) Advanced Book-keeping and Accounts, (iv) Income Tax Law and Practice, (v) Mercantile Law, (vi) Economics, (vii) (*a*) Statistics or (*b*) Banking and Exchange or (*c*) Foreign Language, (viii) Company Law, or with the permission of the Council, one of the following Branches of Law, relating to :—

Real and Personal Property.	Gas.
Shipping.	Electricity Supply.
Water.	Building Societies.
Insurance.	Rating.
Public Health, Housing and Town Planning.	Highways, Streets and Bridges.
Education.	Lunacy and Mental Deficiency.
Railways.	Public Assistance.

It will be observed from the questions set at the last Preliminary, Intermediate and Final Examinations of the Association (copies of which, together with the Syllabus showing their scope are sent herewith)* that a high standard of professional knowledge is demanded, including that pertaining to Accountancy.

6. Members of the Association are in the main Secretaries to Limited Liability Companies, Corporations, Institutions or other Public Bodies. A number of the members are occupied either as Secretary-Accountants, or Accountants to Limited Liability Companies—or are in practice as Secretaries and Accountants on their own behalf.

The Council, having regard to the fact that the principal functions of the Association are to protect and advance the interests of Secretaries as such, does not feel called upon to express an opinion as to whether or not the Registration of Accountants is desirable.

In the event, however, of Registration becoming statutory, such Registration would vitally affect those members of the Association who occupy the following positions *but who are not members of any recognised Accountancy Body* :—

(*a*) In public practice as Secretary-Accountant, i.e. in business on their own behalf, or

(*b*) employed as Secretary and Accountant by a Limited Liability Company or Corporation or

(*c*) employed solely as Accountant by a Company or Corporation, or

(*d*) employed on the Accountancy Staff of a large Company, Corporation or Institution.

As indicating the types of members who are in the mind of the Council in making these submissions, the following three illustrations are given, these being based not on suppositions but actual cases which have come under the notice of the Council :—

Case 1.—A Fellow of the Association succeeded to the practice of a Chartered Accountant by whom he had previously been employed. Not only was this member able to retain the clients, but he considerably developed the practice, mainly on account of his competence and experience as an Accountant. Further, he took into partnership others who were members of recognised accountancy bodies, and he acquired valuable premises for his practice.

This member having performed these important duties for a period of twelve years, and not being attached to any recognised accountancy body, feels that, if registration becomes statutory, his status as an accountant, and his personal interest in the business may be seriously jeopardised unless provision is made for his inclusion in the Register. This will apply to others in similar circumstances.

Case 2.—A Fellow of the Association is Secretary-Accountant to an important public company and its subsidiaries.

He states that so far as the secretarial part of the company work is concerned he is covered by being a Fellow of this Association, his membership dating back to 1921. He is not a member of any accountancy body, and therefore should registration become statutory and he not be placed upon the Register, he is afraid that he will not be able to satisfy his Directors, owing to the fact that he cannot sign documents as a Registered or other Accountant ; therefore he may lose his position, *which is a dual one.*

Case 3.—A Fellow of the Association is in practice as a Secretary and in the ordinary course of his business, he acts as liquidator in voluntary windings-up, as a receiver, as trustee in bankruptcy, and often as an arbitrator, a large proportion of his business falling under these categories. By virtue of having passed the examinations of the Association he is fully qualified to undertake the duties mentioned, but he is not a member of any recognised accountancy body.

Doubts have been expressed by this member as to whether or not he will be able to continue his business, should he not be placed on the register of accountants, having regard to the fact that his certificate would not be accepted by his clients in such a case.

The Council of the Association therefore begs to submit that, in the event of Registration being recommended by the Committee, due regard should be given to the qualifications and experience of such members as those enumerated above, in order that their professional status and livelihood may not subsequently be jeopardised or prejudiced.

20th May, 1930.

* Not reproduced.

MR. ARTHUR DOWNER examined.

1852. (*Chairman*) : Mr. Downer, have you anything you would like to add to the evidence with which you have provided us ?—(*Mr. Downer*) : If you please, my Lord, I have prepared a Supplementary Memorandum, which I should like to submit if I have your permission. (*Chairman*) : Certainly.

(*Mr. Downer*) : (1) I am and have been since January, 1925, Chairman of the Council of the Incorporated Secretaries Association, as well as Chairman of the following Committees : Examinations Committee, Executive and Finance Committee. I am also a member of the Law and Parliamentary

Committee, and the Disciplinary and Investigations Committee.

(2) Now with regard to the Memorandum submitted by this Association, there is only one point that I would like to emphasise and that is, having regard to the fact that the Association is primarily an organisation of Secretaries it does not feel justified in expressing any definite opinion on the question of registration for accountants, except in such cases as outlined in the Memorandum. We feel that whilst we have several members occupying the dual position of secretary-accountant, as well as many members in practice as accountants, we would be failing in our trust if, in the event of registration becoming statutory, we had not done our best to safeguard those members whose interests will be vitally affected.

(3) It seems to me that one of the difficulties will be to define the term " accountant " because the definition given in the Finance Act of 1918 is far too loose for the purposes of registration.

(4) I would like to refer to the three cases cited in the Memorandum. You will observe that Case No. 1 relates to a member in practice as an accountant in partnership with a qualified accountant ; Case No. 2 refers to a member in a salaried occupation and Case No. 3 is a member in practice as a secretary. To these may be added three further cases : (*a*) a member who practises entirely on his own account as secretary-accountant, occupying the position of secretary to several companies, being responsible for the preparation of all accounts and Income Tax Computations ; (*b*) a member who is the financial director, the controller and the treasurer of a company with a turn-over of between £3,000,000 and £4,000,000 per annum (in this illustration the term " controller " relates to secretary, and " treasurer " relates to accountant, the company being controlled by an American Corporation with a capital equivalent to £120,000,000) ; (*c*) a member who for many years was the secretary of a company with a capital of over £2,000,000 and who last year severed his connection with this company and opened a practice as an accountant. In selecting these cases I have endeavoured to present a fair view of the varying types of Incorporated Secretaries who, through no fault of their own, will find their positions seriously jeopardised should registration become statutory, and they be excluded from the Register, because their certificates, particularly for Income Tax purposes, would not be accepted .

(5) It might be argued that those and other members of this Association in similar positions would be eligible for inclusion on the first Register, or could subsequently apply for admission, but to my mind this suggests a form of partial registration which gives rise to further difficulties. As I understand the question, all the existing professional organisations would retain their identity, but would conform to a common standard of entry into the profession, i.e. examination and length of service, and so on, and would be subject to the same code of professional ethics, but I would ask the Committee to consider one very important aspect in connection with partial registration, and it is this. It is generally appreciated that all members of a professional organisation are of equal status, but by selecting a given number who happen to be in a slightly different business category, registration throws the mantle of the cloak of the law around them, thereby giving them definite statutory recognition, denied to their fellow members, and there is therefore a tendency to arouse jealousies and strife, not always easy to combat.

(6) There seems to me to be a further point worthy of consideration, and that is the tendency to create a monopoly, and I entirely agree with Sir Thomas Robinson's declaration to the Local Legislation Committee that all qualified accountants should be entitled to give public service. Registration, however, will not determine competency, because of necessity there will be many successful aspirants for inclusion on the Register who time alone will show are unworthy, and in my opinion the public are the best judges as to qualifications, as after all accountants are the servants of the public.

(7) The essence of all and any registration is the protection of the public, which gives rise to another point of some gravity, namely : that the public, particularly the small trader, may be led to believe that inclusion on the Register conveys equality of ability, with probably disastrous results.

1853. The principal object of your Association is to protect the interests of secretaries as such, is it not ?—Yes.

1854. And, as you have repeated, you do not wish to give any evidence as to whether the registration of accountants as such is desirable. Might I ask you one question in regard to that : do you think that there is any public demand for registration ?—I have no knowledge of any public demand at all, with the exception of Sir Thomas Robinson's statement.

1855. Had there been a public demand, would you have heard of it through your members ?—Most certainly.

1856. Should registration be decided upon, you would wish your members to be on the Register ?—We would like them to be protected.

1857. That is to say such members as are practising accountancy ?—Yes.

1858. Those would be the only ones ?—Secretaries as such could hardly claim to receive the same recognition.

1859. Your membership at present is 2,961 ?—Yes.

1860. How many would be in practice as public accountants ?—The analysis of the figures is : Secretary-accountants actually in practice, 49 ; accountants or assistant-accountants to companies, 215 ; accountants in practice, 88.

1861. Could you give us figures in regard to the categories mentioned in paragraph 6 of your Memorandum ?—Secretaries or assistant-secretaries to companies, 865 ; secretary-accountants to companies, 101 ; secretary-accountants, 49. There are other figures such as registrars of companies, chief cashiers and chief clerks, bank officials, bank managers, educational officers and secretaries of corporations, chambers of commerce, and other public bodies, certain railway officials and local government officials, secretaries of friendly societies, insurance companies and committees, directors, directors and secretaries, managers, and just a few barristers.

1862. May I refer you to your opening statement ? I am not quite certain what you have in your mind when you mention " partial registration " ?—Partial registration as I understand it would be selecting a certain number of a given profession for statutory recognition and the exclusion of others. For instance, registration would probably only apply to accountants in public practice ; accountants in salaried occupations would not be on the Register, so that you would take a section of a profession and give them statutory recognition to the exclusion of others.

1863. You have it in mind that certain people would be excepted from such a Register ?—As I understand this question, it would only apply to those actually in public practice, not to anyone who is in a salaried occupation.

1864. That is such as a secretary ?—Yes ; so that I do not think registration would apply to them.

1865. You would not consider him as being in public practice ?—I was referring to the secretary of a limited company. The secretary who is in practice on his own is in public practice.

1866. When you said " practice " you meant a man practising on his own account ?—Practising entirely on his own account.

1867. You consider that at the present moment the public do not need protection ?—That is my opinion.

1868. And that the public is competent to form its own opinion as to the qualifications or abilities of the men it desires to engage ?—Yes.

1869. Do you think there is any necessity to protect the public against the unqualified man ?—I think the public themselves are the best judges in this matter.

1870. And that they do judge between the qualified and the unqualified ?—I think they do.

1871. Even in the case of the small trader ?—Yes, even in the case of the small trader.

1872. (*Mr. Bellman*) : At the end of your opening statement you said that the small trader may be led to believe that inclusion on the Register conveys equality of ability ?—Yes.

1873. I am not clear what leads you to that view. We have been hearing this morning about doctors and their register, and we have been told that a patient does not as a general rule bother very much about the qualification, whether it be Edinburgh or London, or whatever the particular degree may be ; he is satisfied if the doctor gives him the service he needs ?—Yes.

1874. Is it quite clear that registration of accountants would convey that impression of " equality of ability " ?—I think it would in this particular case. I do not think the small trader has given any consideration at all up to the present time to this question of registration of accountants. He has made his own selection as to who he would care to appoint to supervise his own set of books, but if he understands that there is to be set up a Register of Accountants, I think it will convey automatically to his mind that no one on the Register will be unqualified, and therefore it will I think automatically follow that he will get the impression that there is equality of ability.

1875. Do you not think that he will do with his accountant as he does with his doctor, that is be guided very largely by the local reputation of the man ?—Yes, that may be possible.

1876. In reply to my Lord Chairman you stated that of your membership 88 were in practice as accountants. Does that mean that they are in practice on their own account ?—Yes.

1877. They are not necessarily in partnership ?—They may be in partnership, but they are certainly on their own account ; they may be in partnership with a Chartered Accountant or an Incorporated Accountant.

1878. Would some of the 88 members who are in practice be members of an accountancy organisation as well as of your Association ?—They may be, and probably are. There is an illustration in our Memorandum where one of our members has in partnership with him a Chartered Accountant, but that member is not a member of any accountancy organisation.

1879. If your members were excluded from any Register, would they suffer hardship ?—I think a serious one in that particular case and in many others.

1880. (*Mr. Walker Clark*) : There are a number of men in your organisation who are practising accountancy but are not members of any accountancy organisation ?—That is so.

1881. And, as far as you know, able to undertake the work ?—Yes.

1882. You have told us this morning that you anticipate very disastrous results if a Register is established ?—Not disastrous results if the register is established.

1883. But you said : " The essence of all and any registration " . . . . .—" Is the protection of the public."

1884. Yes ?—Then I go on to say that " the small trader may be led to believe that inclusion on the Register conveys equality of ability, with probably disastrous results."

1885. Therefore, the Register would bring about those disasters. Is not the word " probably " rather a stronger word than you meant ? Should it not be " possibly " ?—Well, possibly.

1886. (*Mr. Scott*) : Your society was constituted in 1907 ?—Yes.

1887. Are your members now admitted only after examination ?—Not entirely by examination, but in answering that question I would like to qualify it, if I may. I am one of those who believe that the mere passing of an examination is not the alpha and omega of a career. I believe that it is an exceedingly valuable test in the case of a student, but where you have a man of mature age and ripe experience who would care to become a member of the Association, and who had also reached what I might call the pinnacle of his profession, an examination in that particular case is not always insisted on, but his application is subjected to the most severe scrutiny, and we extend such a jealous eye to all such applications that the Vice-Chairman of the Association has been appointed the Chairman of the Applications Committee.

1888. May we take it that you think all secretaries practising should be members either of your body or of the older body, the Chartered Institute of Secretaries ? —Subject to their complying with the various by-laws of the organisation.

1889. But you would like to see them all members of either the one society or the other ?—That is an ideal, I agree.

1890. Why should we have accountants of all kinds and grades, many of them not connected with any society at all, others connected with somewhat inferior societies as far as qualifications are concerned ? Why not apply the same principles to accountants as to your profession ?—At the moment anyone can call himself an accountant.

1891. And anyone can call himself a secretary ?—Anyone can call himself a secretary and start a practice.

1892. You seem to fear that if registration is decided upon you may, as it were, bring down everybody to one common level, but you surely do not expect the public to treat all your members as secretaries of equal ability simply because they are members of your Society ?—I think the difficulty will be this : in the initial stages, if registration does become statutory, the members of all accountancy bodies will apply, and will probably be successful, to be placed upon the Register. There are, I think, something like twenty (I am not quite sure of the exact number) accountancy organisations in existence to-day, some of them quite new, and I think it is generally admitted that they are not all of the standing of the Chartered Accountants or the Incorporated Accountants. Therefore, it does occur to me that in admitting these junior bodies (their status is not so advanced as that of either of the two premier bodies) to a certain extent you will not get that equality of ability on the Register that you might be leading people to believe is there.

1893. Why should it be necessary that all the members of any society should be allowed to go on the Register if they have not the necessary qualifications ? If, for instance, there was a test applied which members of all societies must pass before being registered, would that not remove your difficulty ?—As I have tried to shew in my supplementary evidence, the great difficulty is going to be the selection of those who shall be eligible and who shall not be eligible to go on the first Register.

1894. Surely, it is a comparatively easy thing to test them in the same way as you test those who are eligible to join your Society. Why should it be difficult to test the qualifications of a man who applies to be registered as an accountant ?—It seems to me you are applying a principle to your own profession which you would withhold from another. Do you see my point ?—Yes, I quite see your point.

(*The Witnesses withdrew.*)

MR. C. R. MORTON, Accountant and Auditor, called.

The Committee had before them the following Memoranda :—

MEMORANDUM No. 33.

By MR. T. W. MORTON, Accountant and Auditor.

The terms of reference appear to be two-fold :—

(*a*) The desirability of registration.

(*b*) Method of establishment and control.

On the question of desirability I have an open mind and do not propose to submit evidence. If it is decided that Registration is desirable and shall be established, the second matter, viz., method, vitally concerns me. The evidence I wish to submit appears naturally to divide itself under two heads, assuming that the method proposed excludes men who are not members of any recognised body, such as the Institute of Chartered Accountants or the Society of Incorporated Accountants. These two heads would be :—

1. Injustice to certain men so excluded.
2. Capability justifying inclusion.

Injustice.

(*a*) I have been in practice 8 years.

(*b*) My age is 45.

(*c*) I started with none of the advantages which are to be derived from the status given by Membership of the Institute or Society, but in my practice I have observed the same rigorous professional etiquette demanded by these bodies from their own Members. In competition with them, therefore, without the backing of the Institute or the Society, I am at a disadvantage. Notwithstanding that, I have steadily built up a practice, purely on the value my clients place on the service I render them ; in other words, it has been success by merit.

(*d*) Allowing the first two years in which to get established, my fees during the last 6 years have averaged — per annum. In the face of the foregoing I submit that to deprive me of the result of 8 years' hard work would be gross injustice.

(*e*) It might be suggested that a man in my position would be admissible to the Register, but subject to some sort of examination test. I submit that the best test is the fact that, by the same honourable methods as practiced by the Institute and the Society, he has been able to build up a public practice, in competition with them and without their advantages. The practice of the profession is a searching test, whereas many questions in examinations relate to points not encountered in ordinary practice, and if met with are easily solved by reference to text books. Sometimes also the questions include abstruse mathematical problems, which, although one might have done the the work at school, require restudying in such a case as mine, where school days are more than 20 years away. The problems represented by these questions are not the problems one meets with in practice, and the time required for such study is not available when actually carrying on a practice.

Capability.

(*a*) The first evidence of capability I should offer is the building up of a practice on strictly professional lines in open competition with the Members of the Institute and Society.

(*b*) From 1906 to 1912 I was with the firm of —, Chartered Accountants. Mr. —, the Senior Partner in the London Office, would give testimony as to my work under him.

(*c*) From 1912 to 1915 I was Secretary of a Limited Company. I was given this position on the recommendation of my employers, Messrs. —, Chartered Accountants.

(*d*) In July, 1915, I joined the Inns of Court Officers' Training Corps, and in December of that year, was given a Commission in the East Lancashire Regiment. On proceeding to Egypt in July, 1916, I was appointed on the Administrative Staff, and at the end of the War held the position of First Class Staff Lieutenant. During my service I had the task of organising and conducting a Central Establishment at — as Officer-in-charge of Statistical Records. Col. —, C.M.G., D.S.O., of —, who was — in Egypt and Palestine, on whose Staff I served, would give testimony as to my knowledge of administration, control, &c. This is of value in Accountancy when dealing with Public Companies. Lt. Col. — is one of the General Commissioners of Inland Revenue in —, and I deal with his Income Tax and other matters connected with the — Estate. This work demands specialised knowledge. In 1919 on my return from the Army I was with Messrs. —, Chartered Accountants, until 1921. From 1921 to 1922 I was with Messrs. —, Chartered Accountants, on a special job connected with a Public Company, whose Capital was approximately £2,000,000, my remuneration being — per annum. Many Chartered Accountants are employed by firms of Chartered Accountants at considerably smaller salaries than this, which is some evidence of capability. Mr. —, Chartered Accountant of this firm, would give testimony as to my ability.

(*e*) My Certificates of Accounts are accepted without question by the Inspectors of Taxes, both locally and in London and Manchester.

Generally.

The non-membership of the Institute or the Society may be due to the mere accident of lack of means, but it is possible for native ability and experience to be of equal value with the passing of examinations to qualify a man to practice Accountancy. It is also possible for a man to pass examinations by merely " cramming ".

It should be borne in mind that there is an excellent precedent for taking on to the Register, Accountants actually in public practice at the date of its compilation, viz., the precedent of the Institute of Chartered Accountants. When the Institute was first formed, all Accountants in public practice could be admitted on application without any test whatever. I submit that if a Register is formed this precedent should be followed, whatever test is imposed for persons afterwards coming on.

Owing to the growth of my practice, since July last I have taken into partnership my brother, Mr. C. R. Morton, who has been for over 20 years continuously in the service of Chartered Accountants. He is submitting herewith evidence on his own account.

[*Note.*—Where amounts, names and addresses are left blank, details were given in full, confidentially, to the Committee.]

MEMORANDUM No. 34.

By MR. C. R. MORTON, Accountant and Auditor.

This Memorandum is supplemental to the evidence offered by Mr. T. W. Morton, with whom I commenced in partnership August 1st, 1929.

1. *Age.*—My age is 43.

2. *Experience.*—On April 3rd, 1907, I commenced with Messrs. —, Chartered Accountants, working with Mr. —, then Senior Partner of the firm. In 1919, Mr. — retired from the firm but continued on his own account and I continued with him.

With the exception of absence during the War period, when my position was kept open, I have continued to hold this appointment up to the date of commencing the partnership with my brother, viz., 22 years and four months.

During the War, from a date early in 1916, I joined the Navy, and after about 18 months' service, was sent to the Admiralty for special statistical work under Lt.-Col. Sir J. G. Beharrell, D.S.O., who was assisting Sir Eric Geddes, then First Lord of the Admiralty, as Director of Statistics. I was at the Admiralty from a date about the middle of 1917, until January, 1918. I was given the rank of Paymaster Sub.-Lieut. and in January, 1918, was appointed to the Staff of Commander-in-Chief, Mediterranean, as Statistical Officer. This staff appointment I held until sent home for demobilisation in March, 1919. The report I received from the Commander-in-Chief, Mediterranean, states that I fulfilled my duties "with zeal, ability and to his entire satisfaction." On my return I recommenced immediately with Mr. —.

3. *Earnings.*—In 1913 (within 6 years of commencing) my earnings were — per annum, and with bonus given for special work, etc., have touched as high as — per annum. In 1920, 1921 and 1922, they were over the — mark each year.

4. *Special Duties performed.*—For the years 1924 to June, 1929, inclusive, I was my employer's alternate Director on the Board of —, Ltd. This Company operates a large number of — in the City of London. The fee I received for this service was — guineas per annum.

I have personally been Liquidator of two Shipping Companies, viz., —, Ltd., and —, Ltd.

During the last six years ended July 31st, 1929, I have been abroad at least five times on business for Mr. —, with executive authority to act for him.

In August, 1929, I was requested by a small group, which included two Chartered Accountants, viz., Mr. — and Mr. —, to proceed to the Argentine for the purpose of investigating a business being carried on in Buenos Aires. I was in Buenos Aires 3 months on this matter, and my report and recommendations were acted upon by this group. Either of the gentlemen mentioned in this paragraph could be referred to as to my capabilities.

I have appeared before the Commissioners of Inland Revenue in London and in the provinces on Mr. — own Income Tax matters.

5. *Generally.*—It is submitted :—

(1) That for Chartered Accountants to have given me these duties to perform, and to have earned the figures I have earned, is evidence of professional ability and establishes the right to put that ability to use on one's own account.

(2) Being in practice, the foregoing facts should entitle me to inclusion on the Register.

(3) To be deprived of one's practice would be both an injustice and a hardship.

[*Note.*—Where amounts, names and addresses are left blank, details were given in full, confidentially, to the Committee.]

MR. C. R. MORTON examined.

1895. I think you are not a member of any of the societies of accountants ?—I am not.

1896. Have you ever considered the question of joining one ?—I have gone further than considering it ; I have here a letter from the Institute of Chartered Accountants exempting me from the preliminary examination, and in view of that letter my chief gave me articles, but I was so hard worked that I have never been able to find the time to sit for the examinations. One has to study subjects such as economics which do not come into one's ordinary practice, and when one is carrying a responsible position that is a practical impossibility.

1897. At the time of that letter were you considering joining ?—I was considering it. My chief put to me the possibility. He was a Chartered Accountant.

1898. And the Chartered Society then, knowing that you wished to join, exempted you ?—They asked me to attend a meeting of the General Purposes Committee to see if I should be exempted, and, after meeting the General Purposes Committee, it went before the Council, and the result was a letter exempting me.

1899. Exempting you on account of your experience? —Exempting me on account of my professional experience.

1900. You began with a firm of Chartered Accountants in April, 1907 ?—Yes, 3rd April, 1907.

1901. Had you had any previous experience ?—None.

1902. So that your qualification as an accountant and auditor is the experience which you have gained during 20 years ?—22 years. May I correct myself in one small particular. I said I had no previous experience ; I had had four years in the accountant's office of a railway, and to that extent I had had experience of accounts.

1903. Can you tell us the type of accountancy work which is undertaken by you and your partner ?—Chiefly audits and income tax assessments.

1904. Audits of what ?—Of traders' accounts and settling income tax assessments, and a certain amount of claims work in connection with income tax.

1905. There are big firms of traders as well as small ? —Yes. Our biggest audit is for a firm with a turnover of six figures, and goes down to the smallest type of trader.

1906. In the case of the smallest type of trader would you say that he is able to discriminate as to the type of accountant which it is advisable for him to employ ?—I think that that question is one for the individual trader. We take it that is he able to. May I illustrate another type ?

1907. Yes.—This is a case where the man is undoubtedly able to discriminate. We do the audit and settle the income tax assessment of a London firm of solicitors. Their attention was drawn to our work by the way we handled a particular tax case of one of their own clients, and they changed their audit from a firm of chartered accountants and gave it to us because it had the personal attention of a very experienced man and was not given to a junior clerk. They have since sent us four further clients. They are able to discriminate.

1908. Yes. The point of my question was rather this : do you think that the small trader needs any assistance at the present moment to ensure that he does not fall into the hands of possibly unqualified men who are pursuing the work of accountancy ?—I have not come across any evidence of that kind in my personal experience.

1909. And you have had considerable experience ? —Yes. I cannot say that instances of that kind have come to my notice.

1910. Do you think that there is any demand among the public for the registration of accountants ?—I have not met with it.

1911. I presume the nature of the work undertaken by you and your partner is the same as that undertaken by a firm of Chartered Accountants ?—Yes, the same, but, generally speaking, it would be for smaller people ; not in every case, but generally speaking.

1912. Generally speaking, would the accountants who are practising on their own observe the same rules of etiquette as the members of the large societies ?—Generally speaking, that has been my experience. We certainly do .Our experience is that, generally speaking, they do. One meets exceptions where advertising is done.

1913. What is your opinion in regard to examinations ? Do you think it is possible to test a man's competence as an accountant by an examination ?—I certainly think that an examination is a general test of ability.

1914. Do you attach equal importance to a period of actual practice ?—I do attach equal importance to that.

1915. Do you think that there may be cases of men who put up a plate indicating that they are public accountants, or who advertise themselves as public accountants, but who have not the necessary experience to do the work ?—There may be such cases, but personally I do not know of them ; they have not come within my own particular experience. Your question is : do I think there may be ?

1916. Yes.—I think there may be.

1917. But in your work you have not come across them, not in the town in which you practise ?—Not in my particular experience.

1918. Does the small trader employ as a rule a whole-time accountant to do his work, or does he very often employ a man who does accountancy work as a part-time occupation ?—Yes, one occasionally comes across those.

1919. As a general rule ?—As a general rule they come to an accountant in practice. I think they follow advice given to them by the Inspector of Taxes on that particular point. They are told if they are in difficulty to consult an accountant, and as a rule they come to the man in practice. I have met few cases of the other kind.

1920. Do you consider that small traders have a shrewd idea as to the men they employ ?—As a rule they take somebody else's recommendation. I have found that quite a lot. Our practice has been built up almost entirely by that method—that our clients have sent us other people.

1921. (*Mr. Bellman*) : You have told us that you attach equal importance to the period of experience as a public accountant as to examinations. Have you formed any theory as to the minimum number of years that experience should extend over ?—I am afraid I have not considered it from that point of view. If you ask me to answer it, I shall have to answer it without consideration.

1922. In that case, I do not press you. Section 137, Sub-section 3 (*a*) of the Income Tax Act, 1918, reads : "Upon any appeal, the General Commissioners may permit any barrister or solicitor to plead before them on behalf of the appellant or officers, either *viva voce* or in writing, or may hear any accountant." Then it goes on to say : "'accountant' means a person who has been admitted a member of an incorporated society of accountants."—Yes.

1923. Does that mean that you are not allowed to appear ?—No. It means they may refuse to hear me if they choose, but I have never been refused a hearing yet. Our accounts are always accepted. I have appeared before the Inland Revenue Commissioners in London and the Provinces.

1924. (*Mr. Walker Clark*) : In answer to the Lord Chairman you said you audit accounts, and you mentioned other types of work. As regards balance sheets, are they prepared for you and you check their accuracy and sign them, or do you actually prepare the balance sheets from the books, or both ?—Both. Sometimes a trader will prepare his own figures, in which case we have to carefully verify them.

1925. Is that for accounts as between different partners in the same firm ?—Yes.

1926. Are public companies included ?—We have not a public limited company audit at the present time.

1927. Are you acting as auditor to any public authority ?—No.

1928. I take it from your Memorandum that you have not so much an objection to registration, but that you think that if a Register is compiled you ought to be on it ?—Yes. It is immaterial to us whether a Register is compiled or not, but if a Register is compiled we claim it would be an injustice to us if we could not be put on it.

(*The Witness withdrew.*)

Mr. R. A. PALMER (General Secretary, Co-operative Union, Ltd.), Professor F. HALL, M.A., B.Com. (Adviser of Studies to the Co-operative Union, Ltd.) and Mr. R. A. HOWSON (Secretary, Co-operative Union, Ltd.), representing the Joint Parliamentary Committee of the Co-operative Congress, called.

The Committee had before them the following Memorandum by the Joint Parliamentary Committee of the Co-operative Congress :—

MEMORANDUM No. 35.

1. This evidence is submitted on behalf of the Joint Parliamentary Committee of the Co-operative Congress, which Congress is the Annual Meeting of members of the Co-operative Union. The Co-operative Union is a general federation of industrial co-operative societies—retail, wholesale, distributive and productive—and at the end of 1928 there were 1,236 societies in membership (virtually the whole of the eligible societies), and these societies themselves represent nearly 6,000,000 individual members.

2. In order that members of the Committee may be aware of the character and scope of the organisation which is now submitting evidence, the following statistics are appended :—

Type of Society.	Members of the Co-operative Union at end of year 1928.				
	Number of Societies.	Membership of Societies.	Amount of Share Capital.	Loan Capital and Interest (including Small Savings)	Amount of Sales for 1928.
			£	£	£
District Societies...	1,123	5,753,408	97,251,204	16,318,179	204,800,820
District Federations	10	78	47,651	827	279,600
Productive Societies	88	32,059	1,706,538	1,646,153	6,330,642
Supply Association	1	440	3,452	2,287	21,006
Special Societies	10	2,370	40,285	10,323	285,622
Wholesale Societies	3	1,978	9,253,091	44,595,842	104,002,548
Co-operative Insurance Society	1	2	20,000	—	4,184,162
	1,236	5,790,335	108,322,221	62,573,611	319,904,400

3. The Co-operative Movement is deeply interested in the business of accountancy from two points of view :—

(*a*) Internally, in the sense of proper and efficient book-keeping and keeping of accounts ;

(*b*) Auditing.

4. With regard to book-keeping, etc. It is assumed that the scope of the Departmental Committee's enquiry is not directed to this class of accountancy, for such, it is submitted, is a purely domestic matter. In a large business, the accountancy (i.e., book-keeping, etc.) may require a large staff to carry through the operations. Such a staff necessarily would be under the control of a competent person, and his work, and that of his staff, will be reflected in the balance-sheet of the concern, which will, in 99 cases out of 100, be duly audited by an independent accountant.

5. In a small business, it is equally important to keep proper books of account, but probably in the majority of such businesses the individual owner or the firm could not afford to employ a qualified or registered accountant to keep the accounts of the business. In many cases of the one-man business, the principal will keep the books himself, and it would be an intolerable hardship to require him to employ a clerk, much less a registered accountant, to keep his books.

6. Dealing with this question as it affects Co-operative Societies, it may be stated that in the large Societies an accountancy staff, under a competent official, is employed as in large private businesses, whilst in the medium sized and small Societies invariably the book-keeping is under the personal charge of the secretary, who is assisted with a clerk or clerks, who generally has some training in accountancy and has studied the subject in the classes of or by correspondence organised by the Co-operative Union.

7. The secretary has, necessarily, multifarious duties to perform, in addition to the book-keeping or accountancy, and accordingly must have other qualifications than purely those of an accountant. To add to the staff a registered and qualified accountant would be an uneconomical procedure and an unnecessary expense. It may be here interposed that under the Industrial & Provident Societies Amendment Act, 1913, which was placed on the Statute Book at our suggestion, the accounts of a Co-operative Society registered under those Acts must be submitted to audit.

8. For these reasons, it is submitted that it is quite unnecessary to make any statutory provision which would oblige an individual or a firm to employ a registered or specially qualified accountant for the book-keeping purposes of the business, and with every respect to the Departmental Committee, the Co-operative Movement would feel obliged to oppose any enactment to the end mentioned.

9. With regard to Auditing. The Joint Parliamentary Committee is chiefly concerned with the auditing of the accounts of the 1,236 Co-operative Societies constituting the membership of the Co-operative Union and carrying on business in Great Britain.

10. Under the Industrial & Provident Societies Acts it is necessary that the persons appointed to audit the accounts of a Society registered under the Acts shall be Public Auditors. Public Auditors are appointed annually by H.M. Treasury on the recommendation of the Registrar of the Industrial & Provident Societies. Up to a comparatively short time ago no qualifications to lead to appointment were necessary, but recently the Registrar decided that he would only, in future, recommend for appointment persons holding the qualifications of Chartered or Incorporated Accountants. This change in the qualifications has had the effect of preventing many Co-operative employees specially trained for Co-operative auditing from applying for Public Auditorships.

11. Attached hereto is a copy of the terms of appointment of a Public Auditor.*

12. In practice, the accounts of some 633 Co-operative Societies—having a membership of 2,813,851 and an annual turnover of over £90,000,000, in addition to the accounts of some 130 Trades Unions, Working Men's Clubs, etc., etc.—are audited by the staffs of Auditors controlled by the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society. Each audit staff is in charge of a Public Auditor.

13. It is safe to claim that these audits are exhaustively and competently performed, and, in point of fact, comparatively few delinquencies are perpetuated which are not discovered on audit.

14. Notwithstanding the position as above stated with regard to Co-operative Societies, the Co-operative Movement would welcome some statutory provision whereunder it would be essential that an effective audit should be made by properly qualified accountants of Balance Sheets which have to be filed under some statutory requirements, e.g., the Industrial and Provident Societies Acts and the Friendly Societies Acts, or which may be used to secure credit, or for public or semi-public purposes.

15. It is, therefore, submitted that any certificate vouching the accuracy of any Balance Sheet or Statement of Accounts to be filed under the Industrial and Provident Societies Act or under any statute, must be certified by a duly qualified and registered accountant, who should hold no other office of profit in the organisation of which he is appointed Auditor. The registered accountant should be obliged, before signing any such certificate, to make a full, exhaustive and complete investigation of the statement of accounts to which his certificate relates.

* Appendix Y.

16. It is not thought necessary to adduce evidence in support of this submission, as it is felt the need is self-evident in any business community.

17. It is further submitted : (*a*) That it should be open to any duly qualified and registered accountant to apply for and be formally appointed a Public Auditor under the Industrial and Provident Societies Acts on the applicant agreeing to abide by prescribed conditions of appointment.

(*b*) Such conditions should be framed on the lines of those now existing, and attached to this evidence,* and they should, as at present, prescribe a reasonable scale of fees for the work to be undertaken by the Public Auditor.

18.—It is also submitted that penalties should be provided against any person :—

(*a*) knowingly filing an uncertificated Balance Sheet, or using such a Balance Sheet with intention to mislead some other person or body ;

And against a registered accountant—

(*b*) for giving a false certificate knowingly, or without making a proper and sufficient investigation before giving such a certificate.

19. The giving of a false certificate would, no doubt, amount to professional misconduct on the part of an accountant—an offence which, as will be presently suggested, should be a sufficient ground for removing an accountant from the Register. A Certificate should be evidence of its correctness, and the onus of proving the culpability or negligence of the accountant who gives a false certificate should not be on the person aggrieved, but it should be sufficient for him to prove loss or damage due, prima facie, to the certificate being false and incorrect, leaving the accountant to justify his certification.

20. It is therefore submitted : (*a*) That some statutory right of action for damages should be given to any person aggrieved, including creditors and shareholders, against any accountant giving, in the circumstances above-mentioned, a false or incorrect certificate, and the onus of proof of the correctness of the certificate should be on the accountant.

(*b*) Further or otherwise than as above indicated in connection with auditing, there should be no statutory obligation on any corporation or individual to utilise the services of a registered accountant.

21. It will be necessary to make some provision to safeguard the position of those who are presently practising accountancy, and—

It is submitted : That accountants presently in practice or engaged in accountancy work who, within six months of the statutory provisions for registration becoming effective, apply for registration, should be entitled to be registered, provided they have been Public Auditors under the Friendly Societies and/or Industrial and Provident Societies Acts, or are otherwise qualified.

22. It is further submitted : (*a*) That registration of accountants should, subject as last mentioned, be conditional on the applicant passing prescribed examinations, contemporaneous with, and following, service in a registered accountant's office, whereby practical experience in the work of an accountant has been obtained.

(*b*) It should not be a necessary qualification, nor a preliminary step, to entering the prescribed examinations that a candidate must serve a term under Articles of Clerkship, or Indentures—indeed, the reverse should apply, for it should be open to any person to sit for the examinations who has the necessary experience and ability, but who may not have the required means to pay the premium usually concomitant to Articles.

23. It will be necessary that registered accountants should have a wide and thorough theoretical knowledge of the technique of accountancy, and of the subjects allied therewith, as well as a sufficient practical experience, and, therefore, it is suggested : That the prescribed examinations should be preliminary, intermediate and final. The standard of knowledge required to secure a pass at each examination should be reasonably high.

24. It is submitted : That the preliminary examination should be of a general educational character, wherefrom it may be concluded that the applicant has attained a satisfactory standard of general education and knowledge to warrant his proceeding with his studies of technical subjects. Candidates having attained a standard of education which has enabled them to pass the matriculation examination of the Universities, or the like, should be exempt from the preliminary examination.

25. In this connection, it is desired to suggest that, as many promising young persons are by force of circumstances obliged to leave school before attaining the standard of knowledge which would justify their sitting for the examinations of the Universities, but who, having commenced work with the various Co-operative Societies in the country continue their studies either under the auspices of local educational authorities or under the facilities provided by the Co-operative Union, they should be likewise exempt from the preliminary examination on presenting a certificate of the Co-operative Union that the candidate had passed an examination of a standard equal to the prescribed exempting examination.

26. It is submitted : That the intermediate and final examinations should be based entirely on technical knowledge, but due regard should be had to the class of accountancy to which the candidate has, by force of circumstances, principally applied himself.

27. It is necessary to consider the cases of men who, for various good and sufficient reasons, have not had an opportunity of taking the preliminary examination at or near the termination of their school careers, but who have that experience and have that knowledge of the work of an accountant which fits them for the profession. Such men would find it extremely difficult and arduous to study for and pass the preliminary examination, but would probably, with the necessary technical study of subjects with which they are familiar, have little or no difficulty in passing the intermediate and final examinations.

28. It is therefore submitted : That some special provision should be made for such candidates, and it is suggested that a candidate 25 years of age or upwards, who has served in the offices of one or more registered accountants for a continuous period of not less than 10 years, on presenting a certificate signed by a registered accountant or accountants, certifying that the candidate is a suitable person to be admitted as a registered accountant, and has had not less than 5 years' practical experience in accountancy work, or on adducing other evidence to the satisfaction of the Examinations Board of such suitability and service, may be excused the preliminary examination. He may then proceed to pass the intermediate and—after an interval of not less than two or three years—the final examination.

29. It would seem necessary to provide some alternative to the presentation of a certificate of an accountant, for it might well be that an accountant would be indisposed for some personal, but quite insufficient reason, to give a certificate ; hence the suggestion that other satisfactory evidence should be accepted.

* Appendix Y.

30. To ensure that the candidate has had the necessary practical experience, it is submitted: That the final examination should not be taken unless and until the candidate has had at least seven years' service with a registered accountant, contemporaneous with practical experience in the work of a registered accountant.

31. It is further submitted: (*a*) That the examinations should be conducted by or under an Examinations Board, controlled by the Board of Trade. Such Board should consist of, say, five persons—one appointed by the Registrar of Friendly Societies, one by the Registrar of Joint Stock Companies, one by the Board of Education, and the remaining two, who should be experienced registered auditors, should be appointed by the Board of Trade. The Examinations Board should be elected for a stated period.

(*b*) Subject to the approval of the Board of Trade, the Examinations Board would prescribe the curricula for study, and would make detailed arrangements for conducting the examinations.

(*c*) The Examinations Board, with the consent of the Board of Trade, would assist in maintaining and administering the provisions of any enabling Acts which may come into force regarding the registration, &c., of accountants. The Board should be charged with the custody of the Register, and, subject to the Board of Trade's approval, should prescribe rules and regulations applying to registration.

(*d*) Subject to a right of appeal to the Board of Trade, the Examinations Board should have the right to remove from the Register any accountant guilty of professional misconduct.

32. It is also submitted: That registered accountants should take out a practising certificate annually, at a prescribed reasonable fee, and that such fee, with the examination fees, should be set off against the cost incurred by the Examinations Board. It is further submitted: That there should be some statutory limitation by way of a maximum scale of remuneration to be paid to a registered accountant as is presently prescribed for public auditors engaged in auditing accounts of Co-operative Societies.

33. It is also submitted: That after the necessary statutory authority has been obtained, and the registration becomes necessary, no unregistered person should be allowed to carry on the business or practice of accountancy as above defined, but nothing in the enabling acts should prevent a body corporate, firm or partnership from carrying on the business of a registered accountant: (*a*) if the business of the body corporate, firm or partnership, so far as it relates to accountancy, is under the control and management of a superintendent who is a registered person, and who does not act at the same time in a similar capacity for any other corporate firm or partnership; (*b*) if, in every premises where such business as aforesaid is carried on, and is not personally conducted by the superintendent, such business is *bona fide* conducted under the direction of the superintendent by an assistant who is a registered person.

Mr. R. A. PALMER, Professor F. HALL and Mr. R. A. HOWSON examined.

1929. (*Chairman*): Mr. Palmer, have you anything which you would like to add to the written evidence which you have furnished?—(*Mr. Palmer*): I would like to say, in continuation of what we have put before you, that we, as the Co-operative Union, representing the Consumers Co-operative Movement, have always recognised the necessity for efficient accounting and efficient auditing, and right from the early days of our Movement we have done our best to secure that the societies forming our Union should have placed in their possession the information which would enable them to conduct their affairs from a strict accountancy point of view, and to secure that we should train up within our own Movement persons capable of conducting an audit efficiently. I suppose it would be quite forty years ago since we as a Union first published the text-book on book-keeping and on auditing to enable people within our own Movement to undertake that work. In the old days, before the passing of the Industrial and Provident Societies (Amendment) Act, 1913, it was competent for a society to have for its auditors two ordinary laymen, who may have had no capacity for conducting audits. Whilst we have conducted training courses, we found the number of auditors at our disposal not sufficient to supply every society, and, of course, not all societies were willing to have their audits conducted by the people we had trained. We thought it was desirable that they should have auditors competent to undertake that work, and with that end in view inserted a Clause that laid it down that our societies' audits must be conducted by Public Auditors on the List approved by the Treasury. From that time they have had to be done by Public Auditors. We have a training course, with a text-book, which we think would enable people within our own Movement to secure the necessary degree of efficiency to audit our accounts and to ensure that everything should be correct and quite in order. Unfortunately, since the passing of the 1913 Amending Bill the Treasury has seen fit to lay it down that only members of the Chartered Institute or the Incorporated Society may be put upon the Public Auditors' List, and, therefore, since that time we have found difficulty in getting our own people on to the List, although we have now made arrangements by which people engaged in our own Movement in auditing can be trained up to become members of one of these bodies, which will enable them in due course, if they attain the necessary degree of efficiency, to become Public Auditors. So you will see that so far as we as a Movement are concerned, we are desirous of doing everything we possibly can to see that the accountancy side of our Movement is correct and that its auditing is conducted in a proper manner.

There is only one other word I would like to say, and that is that it may be that the suggestion contained in paragraph **21** of our Memorandum, that is in regard to persons who should form the original Register, is not sufficiently clear. Our intention is that all people at present members of any of the associations of accountants, or who have other qualifications, should in the first place be eligible to go upon the original Register.

1930. Everyone?—Everyone who is a member of any of the associations of accountants should be eligible in the first place to go upon the original Register. I thought that was not quite clear.

1931. I have read your Memorandum through very carefully; you have referred to the persons who might possibly be on the first Register, but I am not sure that in your evidence you have expressed any views as to whether registration is desirable or not?—Possibly not directly, but certainly that is our intention.

1932. You consider that registration is necessary?—We feel that it is desirable.

1933. Have you any evidence as to whether there is any public demand for registration?—That is rather a difficult question to answer, because the question of registration of accountants is not a public question in the same way as some other questions are, but I feel—and I think we as a Movement feel—that the fact that this question of registration has been so often before the associations of accountants, and that in Government Committees it has lately been suggested that it should be definitely settled, shows that there is amongst the public concerned with this question a feeling that registration is desirable. (*Mr. Howson*): If I may interrupt, my Lord, we say, in paragraph **14**, that we "would welcome some statutory provision whereunder it would be essential that an effective audit should be made by properly qualified accountants of balance sheets which have to be filed under some statutory requirement." I think in paragraph **14** we meant to express an opinion in favour of registration.

1934. (*Mr. Bellman*): In paragraph **5** there is a reference to "qualified or registered accountant".—Yes.

1935. (*Chairman*): Have you ever heard any complaint on the part of the public that they have been unable to secure efficient accountancy service?—(*Mr. Palmer*): You will realise, I think, that we, although operating in the general trade and industry, are somewhat apart in that we operate upon a different method. So far as we are concerned, we have found difficulty in securing that persons in sympathy with our Movement should be placed on the Public Auditors' List owing to the disability which has been laid down in the Treasury regulations.

1936. What I wished to ascertain is whether you have heard of, or have any views on, the subject of unqualified accountants offering their services to the public?—No, I cannot say we have.

1937. Do you consider that in the public interest registration is advisable?—We certainly do. There are so many people advertising themselves as accountants with no qualifications whatever, that we think it is about time that was ended.

1938. Do you think that the public are unable to discriminate as to the men they should employ?—I think that quite a large number of the ordinary public are unable to discriminate, because they have no knowledge of accountancy at all.

1939. Supposing registration were adopted, what do you think would be the result, a levelling up or a levelling down?—For the moment, if our suggestion were adopted, the present position would not be affected because we should have perhaps brought on to the Register people who have not the same competency as the average Chartered or Incorporated Accountant, but eventually the position would be materially improved, in that, I take it, it would be made impossible for people without any training to advertise themselves as accountants.

1940. But if you had registration, probably some men admitted to the Register would not have as high qualifications as others?—Yes, but still the position would be no different from what it is to-day, because those people are at present practising; and, eventually, of course, they could not come on the Register, because they would have to possess certain qualifications before they came on.

1941. Would not the difference be this: if you have a Register, the people on the Register would be called "registered accountants", which they are not at the present moment. Would not that very likely imply to the public that all those on the Register were of equal status?—Yes, I suppose it would, but the public would be in no different position from that in which they are at the present time. They might choose an accountant from the Register who was not quite so capable as another; they would always be in that position, because all have not equal capacity.

1942. No, but at the present moment a man uses his own discrimination when selecting an accountant, whereas he might think that all accountants on the Register were all equally good men?—He would be in no worse position than he is to-day and eventually he would be better off. He might to a certain extent be misled in assuming that everybody on the Register had equal qualifications, but that would be a passing phase, and it is the general interests of the future I think that have to weigh with us in considering this matter.

1943. In the future you think there would be a levelling up?—Obviously.

1944. You tell us in paragraph **13** of your Memorandum that the audits of the accounts of the societies mentioned in paragraph **12** "are exhaustively and competently performed, and, in point of fact, comparatively few delinquencies are perpetuated which are not discovered on audit." And you also tell us in paragraph **12** that: "Each audit staff is in charge of a Public Auditor." So that I gather that it is your view that the present arrangement as regards Public Auditors works satisfactorily?—Apart from the Treasury Regulations restricting Public Auditors to members of either the Chartered Institute or the Incorporated Society.

1945. Would that be affected by registration?—Yes.

1946. That is the reason why you press for registration?—One of the reasons.

1947. In paragraph **21** you suggest that all persons at present in practice or engaged in accountancy work who, within six months of the statutory provisions for registration becoming effective, apply for registration, should be entitled to be registered, provided they have been Public Auditors under the Friendly Societies and/or Industrial and Provident Societies Acts, or are otherwise qualified?—Yes.

1948. What do you mean by "otherwise qualified"?—We have thought that all present members of the various organisations and persons otherwise qualified should be eligible to make application to come on the original Register.

1949. (*Mr. Walker Clark*): To make application?—And to be automatically admitted, unless there was something very seriously wrong in regard to the individual.

1950. (*Chairman*): You use the words "otherwise qualified". It was those words I was asking about. I do not know that I have quite got their meaning now?—There are many people engaged in the business of accountancy who through long years of practice may be said to have attained a certain degree of efficiency, and yet they are not members of an organisation. We feel we have no right to take away the livelihood of those individuals. (*Mr. Howson*): I think we rather felt, my Lord, that it would be within the province of your Committee to interpret "otherwise qualified" in their own way. What we are anxious to convey in our evidence is that we do not want to advocate anything which would take away the livelihood of a man who was legitimately in practice.

1951. In paragraph **26** you submit: "That the intermediate and final examinations should be based entirely on technical knowledge, but due regard should be had to the class of accountancy to which the candidate has, by force of circumstances, principally applied himself." Have you in mind a Register which would be divided into branches according to the class of work?—(*Mr. Palmer*): No, not necessarily, but we have regard in our examinations to the special circumstances and the class of work which the individual is undertaking. We work under the Industrial and Provident Societies Act, and our method of accountancy is no doubt different from those of other people. Therefore, we feel that there should be questions specifically set relating to accountancy concerned with those organisations—alternative questions I mean.

1952. As regards paragraph **32**, do you think a statutory maximum scale of remuneration for accountants would be feasible?—We make a reference to that subject because we are going to compel people to employ registered accountants. That being so, there should be some limit placed upon the fee that they will be called upon to pay. Having handed them over to the registered accountant, they should not be at the mercy of the registered accountant so far as the fee is concerned.

1953. I notice that the fees of a Public Auditor for accountancy work, other than auditing, have not been fixed; they are a matter of arrangement, are they not?—Above a certain fee of course it is a matter of arrangement. There are certain small organisations to whom a fee of a guinea is a matter of importance; small holdings societies, allotment societies, and so forth; a guinea or two or three guineas to a group of working men is a matter of importance.

1954. In paragraph **33** you refer to the "business or practice of accountancy as above defined". Does that carry one back to paragraph **15**, or what definition have you in mind?—(*Mr. Howson*): I think it carries us back rather to paragraph **3** where we had specifically in mind audit as distinct from internal book-keeping. There are several aspects which you have had before you but which we as a Movement do not touch, such as Income Tax work. (*Mr. Palmer*): I think it does have relation to paragraph **15**, but, of course, we are of the opinion that, as Mr. Howson says, there are many duties undertaken by accountants outside the mere matter of auditing, and they would have to be brought in.

1955. (*Mr. Bellman*): I take it that when you refer to maximum fees allowed to be charged under any system of registration, your recommendation is really limited to the audit of accounts such as those set out in Section 6 of the Appendix to your Memorandum* ?—Not exactly. We feel that there are a certain number of individuals who may, under a system of registration, be called upon to have their accounts audited for the first time, people in the way of small shop-keepers who would have to submit a balance sheet, possibly, for Income Tax. We think that some similar scale should be laid down for cases of that nature. When you come to huge organisations it must be a matter of arrangement.

1956. Is it not almost impossible to fix a scale for work which may vary in extent? The accounts, for example, of one small trader might be a comparatively simple matter compared with the case of another trader in which the work connected with the audit might be very considerable?—There seems to be no difficulty in applying a scale in the case of the Industrial and Provident Societies.

1957. Is not that rather imposing something on the accounting profession which one could not impose on other professions? In the medical profession your practitioners are registered, but there is no fixed scale of fees. If one doctor is known to be much more proficient than another, he will claim, and receive, a higher rate of remuneration?—But we do not compel people to go to doctors. We are going to compel them to go to registered accountants for certain purposes.

1958. It seems then that it is your intention to recommend standardisation?—To a certain point, yes.

1959. (*Mr. Branson*): You describe as a passing phase the period which would have to elapse between the introduction of registration and the time when every member of the profession would be qualified by examination. That passing phase has to be practically a generation?—I can quite believe it would be a number of years.

1960. Very nearly a generation?—Yes.

1961. And in the meantime the levelling-up process would be postponed?—No, it would commence immediately, if I may suggest so, owing to the fact that it would be impossible, when registration had been effected, for any fresh individual to set up as an accountant unless he was registered, whereas at the present time anyone may set up to do so to-morrow or the next day.

1962. I agree, but the class with insufficient qualifications would not be eliminated until they had died out?—That is so.

1963. If provision were made for accountants trained by your Movement to be Public Auditors, would you still think that registration was necessary?—Oh, yes, in the general interest. That is merely one of the factors.

1964. Have you any evidence that anybody has suffered by the fact that unqualified people are allowed to practise to-day?—I have no direct evidence, but the general feeling certainly is that persons have suffered. I think if you read "The Accountant", for example, you will sometimes see references to these unauthorised persons, and behind the whole business is the suggestion that the public are being gulled; they are not getting the services for which they are paying.

1965. But the power behind "The Accountant" has a very strong motive for trying to shut out the unqualified man, has it not?—Certainly, but it is surely desirable that in a profession of this character, where a high state of efficiency is required, and, shall I say, where the work should be undertaken by men of character, that there should be some guarantee that they have the necessary efficiency, and that they have the proper standard of education, and that they will be kept up to the high standard that we expect from such a profession.

1966. Do you suggest that the supply of accountants who are members of the Chartered Institute or the Incorporated Society is inadequate for the demand?—I do not know that I could say that it is inadequate to the demand, but there are certain restrictions at the present time which prevent people within our own Movement undertaking the audit of our societies even if they have the necessary standard of ability.

1967. I agree, but I am asking you if you suggest that there are people who have to go without accountancy services because there are not enough members of the Institute or the Society ready to work for them if required?—Perhaps not, but we are suggesting that there should be an extension of the service of accountancy.

(*Mr. Branson*): That I appreciate. I am only trying to take the other side.

1968. (*Mr. Walker Clark*): In paragraph **16** you say: "It is not thought necessary to adduce evidence in support of this submission, as it is felt the need is self-evident in any business community." That is the evidence, I take it, for the need of registration?—The need of proper accountancy, of proper auditing.

1969. I took it that that was governed by paragraph **15**?—Proper certification of accounts.

1970. Yes, it deals with certified and registered accountants, and I took it that you were so convinced of the necessity for registration?—No. What we suggest there is that it is self-evident there is a necessity for "a full, exhaustive and complete investigation of the statement of accounts to which his (the registered accountant's) certificate relates" and that the accounts should be properly certified.

1971. That is the present law, is it not?—It is the law.

1972. You are not going beyond the law in that paragraph, are you?—No, certainly not, but it is possible for accounts to be certified by unqualified persons and without proper investigation.

1973. Not in your Movement?—No. (*Mr. Howson*): It is under the Companies' Act; we say: "filed under the Industrial and Provident Societies Act or under any statute."

1974. Yes. I was really following up the Lord Chairman's question about the necessity for a Register, and I thought that paragraph **16** pre-supposed that a Register was essential?—(*Mr. Palmer*): No, sir. I rather think we would not dare to suggest such a thing though we felt it, because we would be suggesting that your duties were not necessary.

* Appendix Y.

1975. Am I right in saying that the basis of your evidence is that you want to extend the Public Auditors' Panel and to increase the present limited supply of those who are authorised to audit your accounts?—We feel that instead of there being a number of Registers, the Chartered, the Incorporated, and all the other types of Register, there should be one Register, and that the profession should not be limited to two close corporations.

1976. Is it at present limited to two?—So far as we are concerned, yes.

1977. And you are really anxious that that limitation should be withdrawn and that you should be freer in your choice?—Yes, that is so. We feel that there should be nothing to prevent members of our own Movement, if they have the necessary ability, qualifying to become auditors of our own societies' accounts.

1978. Is the examination for your students a comprehensive one or is it confined very largely to the methods which are adopted within the Movement?—(*Professor Hall*): It is not very easy to answer that question in a few words. We have no course for auditors for our own examinations. By arrangement with the Incorporated Society, approved students from our Movement may sit for the examinations of the Incorporated Society, and our training is for the examinations of the Incorporated Society.

1979. And are your candidates excused the Preliminary?—They may be excused the Preliminary if educationally qualified, but we have our own system of book-keeping and we train students for that, and it is one of our points that the examinations of the professional bodies do not as a rule include any reference to the accounts of Co-operative Societies, with the result that if a Co-operative Society has the services of a Chartered or Incorporated Accountant, they have all the qualifications of their respective bodies but may not have had any training in the accounts of industrial and provident societies.

1980. When your students have sat for the examination of the Incorporated Society, if they have been successful they become fully qualified to put the letters A.S.A.A. after their names, provided they pay the necessary subscriptions?—Yes.

1981. Therefore, they become eligible for the Panel?—That is so.

1982. As Public Auditors?—Registered accountants.

1983. Is there really any hardship? I am not treating you as a hostile witness but I am trying to find out whether there is a real hardship so far as your Movement is concerned at present owing to a restricted Panel?—There is a hardship in this: that this is a concession from the Incorporated Society to us, and a concession which may be withdrawn at any moment; and we are viewing this from the wider aspect. We think that the accountancy profession should be looked upon as a national matter and not something to be controlled by professional bodies of the type of the Incorporated Society or the Institute.

1984. Mr. Palmer in his evidence spoke of the difficulty which men within the Movement experienced in getting on to the Panel. I know some cases in which men within the Movement are on the Panel now. How have they done it? I presume that they have taken the Incorporated Society's examination in order to get on the Panel?—This arrangement with the Society is only two years old, so I do not know that there are many who have come through in that way yet.

1985. Would your idea of the Register be that no one should call himself an accountant unless he was on the Register?—(*Mr. Palmer*): No one would be able to use the designation which is decided upon for people on the Statutory Register.

1986. Would you make it a close corporation?—I am not quite definite in my own mind whether it would be desirable to say that no one except a registered accountant should use the word "accountant" in connection with his business, but I certainly feel that in the course of time the designation which is used by registered accountants would become so familiar to the public that that would be sufficient.

1987. (*Mr. Scott*): I think it is your suggestion that all those who are at present members of any society of accountants, and even men who have been practising as accountants for a considerable time, should be automatically admitted to the Register?—If they made application.

1988. I believe you said "automatically" with regard to members of societies, without application?—I think we state in our Memorandum: "accountants presently in practice or engaged in accountancy work who, within six months of the statutory provisions for registration becoming effective, apply."

1989. The point is that you propose to make it possible for anyone at present practising as an accountant, or connected with any society, to get on the Register?—Yes.

1990. That is to say you are not going to apply any test?—The test is surely there in the fact that they are members of these particular bodies, the majority of them.

1991. Have you had an opportunity of looking at the examination papers of some of the lesser known societies?—No, I am afraid I have not.

1992. You may assume, for the moment, I think, that their actual conditions are not so stringent as those of the well-known societies. Perhaps you do not really suggest that automatically all the present members of these societies should on application be admitted to the Register?—(*Professor Hall*): I would like to say that we did not feel that we were quite competent to pass judgment upon the merits of the various organisations who would claim the admission of their members to the Register, nor did we feel that we were competent to say who of those who hold themselves out as accountants are really qualified for admission to the list; but we did feel that there are people who perhaps have, as their principal business, the collecting of debts, and who describe themselves as accountants. People of that sort are certainly not entitled on the basis of experience to go on the Register, and therefore we thought there would have to be some scrutiny of the persons whose names were going on the list, but we felt that we were not the persons to suggest who were competent and who were not.

1993. Then you rather limit what you said before as to those who would be actually admitted to the Register?—We limit it only in this sense; we say "or otherwise qualified". We think there should be a qualification exacted from people before they go on to the list; no examination, but a scrutiny of their experience.

1994. You agree to that, do you?—Yes.

1995. In other words, you really do not support the proposal that all those who are members of these lesser known societies and all who are practising as accountants at present should be admitted to the Register?—We felt that we were incompetent; we have not had sufficient contact with those lesser societies to be able to say whether their members are experienced or not, but we feel that, when a list is compiled, it should be of experienced people; and people such as I have mentioned, whose job is debt collecting and who call themselves accountants, should not, by reason of the fact that they call themselves accountants, be admitted to the list.

1996. It is very important that we should be quite clear whether it is your opinion that all should be admitted to the Register or whether you would qualify that by saying that the Registration Board or the Examination Board should examine and test and find out the qualification of each applicant; should

there be an actual test of the members of the lesser known societies before they are put on the Register ?—We are not suggesting an examination test for the compilation of the original Register. We think the test should be whether the individual is in fact a professional accountant devoting his time to that work and has had a reasonable amount of experience in that work. Some of those I have mentioned whose principal work is debt collecting would obviously find a difficulty in proving to any impartial body that their principal function was that of accountancy. On the other hand there are persons who may or may not be members of the professional bodies, who are in fact giving the whole of their time to professional accountancy ; whether they are members of lesser known or better known organisations, or not members of any organisation at all, we think they should be admitted to the list.

1997. You surely do admit that some sort of test should be applied before such people are admitted to the Register ?—The test we suggest is that I have mentioned, the test of what they are actually doing, not so much an examination test, but a test of what work they are doing : are they in fact professional accountants, or are they debt collectors or agents?

1998. Then it does appear as if you are going to allow to be put on the Register a large number of men whose qualifications are of a very limited order and, as you said, I think, to a member of the Committee just now, it would take a generation before all of them ceased to practise. In those circumstances do you not think that the Register would make things worse, because you would confer a hall-mark upon these inadequately qualified people if you called them registered accountants. Would it not be better to leave them out, but to allow them to practise as accountants if they choose, than to admit them to the Register ?—We do not admit that they are necessarily not qualified because they do not happen to be members of one or other of the organisations. The fact that they have been in business for a number of years and have been able to retain their business is some indication that they have given satisfaction.

1999. The chartered societies have built up their reputation and prestige upon a very elaborate system of examination and qualification, and you are apparently going to nullify that by admitting to a common register people who have no qualifications ?—Our answer to that would be that the Chartered Institute did the same, that is, admit persons without examination, probably when they established their first list of members. (*Mr. Howson*) : I think in the formation of the Register there must be a transitional period. You had almost the same position in regard to the registration of dentists, where people who might be termed third class had to be admitted, but gradually these people were eliminated and the status of the profession was raised. I think in the evidence already submitted to the Committee there is a definite admission on the part of some associations who are quite recognised bodies to-day that at the time of their formation they had no examination qualifications, but admitted people who, as we say, were in genuine practice. If you are to start a new Register under Government auspices, you have a somewhat similar case to deal with. In the long run it is going to be better all round. The longer you put off the question of registration, the worse the position seems to me likely to become.

(*The Witnesses withdrew.*)

Sir EDWARD R. HARRISON (Chief Inspector of Taxes, Board of Inland Revenue), representing the Board of Inland Revenue, called.

The Committee had before them the following Memorandum by Sir EDWARD R. HARRISON :—

MEMORANDUM No. 36.

1. Until the year 1903, Accountants were not mentioned in Income Tax Acts. In the absence of specific legislation bearing on the point, the General or Special Commissioners of Income Tax used their discretion as to whether in any circumstances an Accountant should be permitted to appear before them in support of a client's appeal.

2. Section 16 of the Finance Act, 1898, made it lawful for the General Commissioners to permit any barrister or solicitor to plead before them on any appeal, either vivâ voce or by writing, but made no reference to Accountants.

Section 13 of the Revenue Act, 1903, provided that if the General Commissioners refused to permit a barrister or solicitor to plead before them *or to hear any accountant*, the appellant, in lieu of proceeding with his appeal before them, might appeal to the Special Commissioners, who were thereby required to hear the barrister, solicitor or accountant.

The term "accountant" was there defined as "a person who has been admitted as a member of an incorporated society of accountants."

3. The Income Tax Act, 1918, which consolidated all previous Income Tax Acts, reproduced the provisions of the 1898 and 1903 Acts in Section 137 (3). This section was amended by Section 25 of the Finance Act, 1923, which made it mandatory upon the General Commissioners to hear barristers, solicitors or accountants in support of Income Tax appeals. Section 137 (3), as so amended, reads as follows :—

"Upon any appeal, the General Commissioners shall permit any barrister or solicitor to plead before them on behalf of the appellant or officers, either vivâ voce or in writing, and shall hear any accountant.

"In this sub-section 'accountant' means a person who has been admitted a member of an incorporated society of accountants."

4. In connexion with certain claims for adjustment of Excess Profits Duty liabilities, the definition of an accountant as a member of an incorporated society of accountants was preserved by Rule 3 (2), Part IV, Second Schedule of the Finance Act, 1921.

5. There are no other references to accountants in the relevant Acts at present in force.

6. The duty of making assessments to Income Tax is by law entrusted to the General and Special Commissioners of Income Tax. The function of the Inspector of Taxes is to obtain and examine taxpayers' returns for assessment to Income Tax, and, wherever possible, to agree with the taxpayer as to the correct amount of his liability.

The development and diversity of industry, the growth of scientific accounting, the complexity of the Income Tax Acts and high rates of taxation have combined to cause a large number of taxpayers to invoke professional assistance in dealing with their Income Tax liabilities.

7. It is not compulsory for a taxpayer to produce accounts in support of his Income Tax returns, unless called upon to do so by the precept of the General or Special Commissioners in connexion with an appeal against an assessment, but the majority of taxpayers carrying on businesses of any standing are in the habit of sending their accounts regularly to the Inspector. The number of accounts so rendered annually, which was negligible in the early days of the Income Tax, has grown rapidly and continuously, and now exceeds 500,000.

8. In examining these accounts, the Inspector is concerned only to ascertain the correct figure to be taken as the profit or loss for Income Tax purposes. This figure is seldom identical with the profit or loss arrived at on a commercial basis and appearing in the accounts supplied to him. Leaving aside any case in which it might be thought necessary to raise the question of the accuracy of any accounts, enquiries are usually necessary in order to find out whether any, and if so what, adjustments are required in the figures shown in the accounts in order to arrive at the true Income Tax liability.

9. In addition to the great majority of the larger traders, a considerable number of other taxpayers render accounts which are certified by qualified accountants. The accountants not only furnish the accounts to the Inspector but answer his enquiries, discuss any doubtful or disputed points with him, agree liabilities on behalf of their clients and, if necessary, represent their clients before the Commissioners. It will be evident that where reliable, accountants are employed, the Inspector's task, and indirectly that of the General or Special Commissioners, is greatly facilitated.

10. In some cases taxpayers employ persons of doubtful competence to make up their accounts. The qualifications of such persons differ widely, and in the absence of a recognisable qualification, the Inspector's enquiries are bound to be more searching than when he is dealing with an accountant whose credentials are unquestionable.

11. The introduction of a Register of Accountants would not be likely to help the Inland Revenue Department unless registration carried with it an assurance of competence and reliability.

The attitude of the Board of Inland Revenue as to the utility of a Register from their point of view would therefore depend entirely on the character of the tests for admission to the Register, and until a decision has been reached on this point the Board are not in a position to say more on the general question. They may add, however, that the admission without test of large numbers of accountants in practice at the time of introduction of a Register would, even if a satisfactory test were required for persons registering subsequently, render the Register of little advantage from the Inland Revenue point of view for many years to come.

Sir EDWARD HARRISON examined.

2000. (*Chairman*) : Would you like to add anything to your written evidence ?—I think there is only one thing that I need say or perhaps stress, and that is that as you no doubt appreciate I am concerned only with the subject matter of your Inquiry in its relation to the Inland Revenue Department, and therefore my Memorandum covers a narrower field than a good deal of the other evidence you have received.

2001. In regard to paragraph 2 of your evidence, could you tell us why the reference to accountants was inserted in the Revenue Act of 1903 ?—I cannot speak from personal knowledge, but I think there is no doubt that the position was something like this. For a great many years it had been the custom of the District Commissioners, in dealing with Income Tax appeals, to admit the taxpayer's agent, other than for the strictly limited reasons laid down in the Act. The Income Tax Act of 1842 contained a section which provided that in the case of illness or absence beyond the seas or other reasonable cause, the appellant might send his agent, and the Commissioners had, as a matter of common-sense, very often admitted an agent and, in latter days although still before 1903, an accountant. I think that is the origin of it.

2002. The definition of an accountant as given in Section 13 of the Act is very wide ?—It is very wide. We have all felt that.

2003. It is reproduced in the Income Tax Act, 1918, and in the Finance Act, 1921 ?—Yes.

2004. Has the definition given rise to any difficulties so far as the Income Tax Authorities are concerned ?—I do not think it has given rise to any difficulties, except that it is not of much value to us because anybody may be an accountant or may form a society of accountants.

2005. Objection has been taken to the definition on the ground that it has resulted in the formation of new bodies of accountants ?—I have no doubt that accountants regard it as a privilege to be allowed to appear before the Commissioners, and that they have formed societies to obtain access.

2006. One of the organisations giving evidence before us expressed the strong opinion that registration is necessary to prevent the exploitation of the public by persons and companies who advertise and hold themselves out as Income Tax experts. Would that be your view ?—Well, I am not quite sure precisely what is meant. An Income Tax expert, like an accountant, may be a fully qualified expert or he may not. Undoubtedly there are a lot of so-called experts who are not qualified, but there are others, of course, who are very well qualified for their work.

2007. I think we have had evidence to show that as regards the Income Tax side of accountancy work there are a certain number, not a considerable number, of people who hold themselves out as Income Tax experts but who are not really qualified to carry out that work ?—I think that is so, because there is nothing to prevent anybody from calling himself an expert in Income Tax.

2008. Under Section 137 (3) of the Act of 1918, the General Commissioners of Income Tax must hear any accountant who comes within the terms of the definition, must they not ?—That is the case.

2009. Has there ever been any demand from the General Commissioners for a revision of the definition ?—No, I am not aware that it has ever become an acute question with the Commissioners. One reason for that may be that the Commissioners are always very reluctant to refuse access to a representative of the taxpayer, but they naturally take a man for what they find him to be, and it may be that on occasion they do, as the Inspectors of Taxes do, make a more searching inquiry if they think that the agent is incompetent than they do if they are satisfied with his qualifications.

2010. Do you suppose that the definition has given rise to any circumstances which would furnish an argument in favour of the setting up of a Register of Accountants ?—I think that depends on what I have referred to in the concluding paragraph of my Memorandum : what exactly would the tests be for admission to the Register.

2011. You say there I think that it would be of little advantage to your Department unless there was an assurance of competence and reliability ?—Quite so.

2012. Can you give us any indication of what you have in mind when you say "competence" : do you

mean qualified by examination ? I fully realise the difficulty.—I find it a very difficult question to answer. You can say of A and B and C that they are undoubtedly competent, and you can say of D and E and F that they are not, but you can find a lot of other people X and Y and Z of whom you do not know whether they are competent or not because you have not a very clear test to apply.

2013. I rather gather from what you have been saying and from your written evidence that, as far as you are concerned in the limited branch which comes under you, you see no special reason for setting up registration ; there are no evils you know of which it would correct ?—Broadly, I quite agree that is so. I do not want to mention any names, but there are societies which without doubt are reputable (and I am not suggesting that there are disreputable societies), but if I may take those whose credentials are beyond question, their members describe themselves as members of their particular society, and that in itself is a label which answers all our purposes. The Register would add nothing to that label for our purposes. But if the Register added a label by imposing a test which would help us as regards some other classes of persons, then it would be helpful to the Department.

2014. Such a test as would prevent the practising of accountancy by unqualified persons ?—Yes, I think that is so.

2015. (*Mr. Bellman*) : In the last sentence of your Memorandum you say that " the admission without test of large numbers of accountants in practice at the time of introduction of a Register would, even if a satisfactory test were required for persons registering subsequently, render the Register of little advantage from the Inland Revenue point of view for many years to come." May I take it that you would be prepared to say that in any event you would be no worse off during this transitional period ?—No, I think we should be no worse off than we are now.

2016. The people who would be registered are the people who are now appearing before the Commissioners. Is it not a fair assumption that in the end you would be better off ?—I think eventually we should, but not for many years to come. I suggest it means at least a score of years, some long period which makes us look far ahead, to get the advantages.

2017. Can you give the Committee your views as to ex-Inspectors of Taxes who advertise their willingness to undertake work in connection with Income Tax matters ?—I am afraid I cannot tell you very much. Ex-Inspectors of Taxes obviously differ in the length of their experience and therefore in their qualifications, but if they are not setting up as accountants, but only as Income Tax experts, there is no reason why they should not be very expert on that subject.

2018. (*Mr. Branson*) : You say that if a Register of Accountants with an adequate test was established, it would be helpful to your Department ?—Yes, I think it would.

2019. By that do you mean it would, to some extent, save your Department from making the scrutiny which at present it makes itself ?—I think that is broadly true.

2020. Would you agree with me that your Department is quite capable of making that scrutiny itself ?—Yes, I think so.

2021. (*Mr. Walker Clark*) : You have referred to the Inland Revenue Commissioners and the Special Commissioners. Have you heard any complaints from Inspectors of Taxes in respect of the presentation of accounts to them by unqualified men ?—From time to time, in official correspondence, I see statements which make it obvious that accounts are unsatisfactory, and sometimes that the taxpayer's agent is an unqualified person. The Inspector is always to some extent in a difficulty when he has that kind of thing before him, because, as I have just said, he has to scrutinise the case very closely, and if it were a case which came before the Commissioners, he would have to draw the attention of the Commissioners to the facts.

2022. Is it a fairly common thing for District and Travelling Inspectors to come across incompetency in the preparation of accounts and the submission of them ?—Before I give a direct answer yes or no, may I draw attention to one point. Numerically speaking, we must have incomplete accounts in a much greater number of cases than we have complete accounts, because there are many more small traders than large traders, and the small shopkeeper probably feels that he cannot afford to employ a qualified man to make up his accounts. So we deal with a great many more or less unsatisfactory accounts and a great many more or less unqualified men, for that reason. I am not suggesting dishonesty, but simply incomplete accounts which are therefore unsatisfactory for the Commissioners or for ourselves.

2023. I rather wanted to know the remedy for that ?—It is very difficult to find a remedy, I think. I imagine that Parliament might take the view that the small taxpayer must not be forced to spend more money on an accountant than he can afford. It is difficult not to accept the agent whom he chooses to employ.

2024. Have you had experience as an Inspector ?—Yes, but it is nearly thirty years since I was in a District. With reference to your earlier observation, I do not think registration would ever compel the cattle dealer, for instance, to keep material from which anyone could draw up a reliable account.

2025. I was wondering whether registration might be a preliminary to an amendment of the definition of " accountant " in the Act of 1918 by substituting " a registered accountant " ; then only registered accountants would have the right of appearance and presumably of submitting accounts ?—That would be an advantage provided that when the accountant called upon his principal to make up his accounts he found something on which he could draw them up, but I think often he would find nothing satisfactory.

2026. Then you really do not see that registration will help the local Inspector and the Commissioners very much so far as accounts are concerned—I mean immediately ?—Not as regards that class of case—where the trader's own books are incomplete—and not immediately.

2027. (*Mr. Kenneth Lee*) : Am I right in assuming that the public does not suffer from the employment of persons of doubtful competence ?—I do not think the taxpayer suffers from the incompetence of his accountants. I think the taxpayer may sometimes suffer as a result of not keeping accounts himself, because often both the Commissioners and the Inspector have to estimate his profits.

2028. He would be in a better position if he kept some accounts ?—Yes.

2029. You would always do him justice, even if his representative did not ?—We should try to, certainly.

2030. (*Mr. Scott*) : With regard to paragraph **10** of your Memorandum where you say : " In some cases taxpayers employ persons of doubtful competence to make up their accounts ", is it your experience that that is a fairly frequent occurrence ?—Yes. It is really this class of case to which reference has been made, that is the small trader. He does not want to pay a large sum and therefore he employs anybody who calls himself an accountant, or he may do so.

2031. So far as that is concerned your impression probably is that something in the nature of a Registration Bill is perhaps advisable, in order to ensure a standard of competence ?—Yes, I think so, subject of course always to a test for admission being required.

2032. (*Chairman*) : Would you say that the small trader was suffering at the present time from unqualified accounting ?—No, I do not know that I can say that quite. I think the small trader suffers from the incompleteness of his own books rather than from the incompetence of his agent.

2033. (*Mr. Scott*) : I was on a different point I think. I feel that, with regard to this particular question of the suffering of the public, it is rather more likely to be the case that the taxpayer is trying to make the Inland Revenue suffer by employing a doubtful accountant ?—Yes.

2034. My point was rather the other case : whether from your experience you find that there are fairly numerous cases in which incompetent persons are employed as accountants ?—Unqualified persons, certainly. When you get beyond that, as to whether an unqualified person is incompetent or not, there are a great many incompetent persons about, undoubtedly.

2035. I take it that in a great number of cases you find that you have to scrutinise very carefully the accounts submitted to you by persons purporting to be accountants ?—Yes, we do.

2036. In other words, you scrutinise them in a different way from the way you would do if it were one of Sir William Plender's staff who was doing the audit ?—Yes.

2037. In paragraph **11** you stress the question of the qualification test, and it was suggested I think a minute or two ago that if the test for registration was not strong enough, you would be practically in the position of being no worse off than you are at present. If a Registration Bill was passed with an insufficient test, in your opinion you would practically ignore registration altogether, you would just remain where you are and scrutinise all the accounts made up by people who are not identified, say, with some of the more outstanding societies ?—Yes, I think that is so ; but when I said that we should be no worse off, what I had in my mind was this : that the members of well-known reputable societies would still continue to call themselves by the names by which they were known, they would put after their names the letters which apply to their society, and we should know, as we know now, who they are.

2038. Supposing we had registration on the basis of a test applied by, say, a National Board, do you think the tests should be of a very stringent nature ?—Yes.

2039. In other words, tests that would satisfy you. I suppose that registration under those circumstances would be a distinct advantage to you ?—Oh, yes, I think it would.

(*The Witness withdrew and the Committee adjourned.*)

APPENDIX Y.

JOINT PARLIAMENTARY COMMITTEE OF THE CO-OPERATIVE CONGRESS.

INDUSTRIAL AND PROVIDENT SOCIETIES ACTS, 1893 TO 1928, FRIENDLY SOCIETIES ACTS, 1896 TO 1929 AND INDUSTRIAL ASSURANCE ACTS, 1923 TO 1929.

Conditions under which Public Auditors hold their Appointments.

1. Public Auditors hold their appointments from year to year as from the 1st January. Any change of address should be communicated immediately to the Registrar of Friendly Societies.

2. A Public Auditor may describe himself as a " Public Auditor under the Friendly Societies Acts and the Industrial and Provident Societies Acts ", but must not by reason of his appointment use any other description.

3. No Public Auditor may audit the accounts, balance sheet or Annual Return of any Society or branch in which he holds any other office. Subject to this, he is bound to accept for audit the accounts of any society or branch which is registered under either the Friendly Societies Acts or the Industrial and Provident Societies Acts, unless owing to the number of audits already undertaken he is unable to complete the audit by the statutory date. He is not bound to leave his office for the purpose of the audit.

4. The Auditor must verify the Annual Return with the accounts and vouchers relating thereto, and must have regard to the Rules of the Society, and either sign the Annual Return as found by him to be correct, duly vouched, and in accordance with law, or specially report to the society in what respects he finds it incorrect, unvouched, or not in accordance with law. Where a special report is made, the Auditor should see that the certificate to the Annual Return is altered accordingly. He must initial any alterations required in the Annual Return.

5. The Auditor has under the Acts a right of access to all the books, accounts and official documents of the Society. Should there be errors in the Annual Return or in the books, accounts or vouchers submitted to him, the documents, etc., are to be returned (at the cost of the society) for correction, unless the Auditor be requested by the Society to correct the inaccuracies, in which case he is entitled to claim an additional fee, to be arranged between him and the society.

6. The maximum fees allowed to be charged are as follows :—

(*a*) For auditing the accounts of societies registered under the Friendly Societies Acts, except Working Men's Clubs and Collecting Societies :—

	£	*s.*	*d.*
Not exceeding 3,000*l.* of gross receipts	3	3	0
Exceeding 3,000*l.*, for every 1,000*l.*, in excess up to 10,000*l.*...	1	1	0
Above 10,000*l.*, fee to be fixed by special arrangement.			

(*b*) For auditing the accounts of Working Men's Clubs registered under the Friendly Societies Acts and clubs registered under the Industrial and Provident Societies Acts :—

	£	*s.*	*d.*
Where receipts and payments added together do not exceed 2,000*l.* ...	3	3	0
Exceeding 2,000*l.*, for every 2,000*l.* in excess	1	1	0

(*c*) For auditing the accounts of Collecting Societies :—

	£	*s.*	*d.*
Where receipts and payments taken together do not exceed 1,000*l.* ...	5	5	0
Exceeding 1,000*l.*, for every 1,000*l.* in excess up to 50,000*l.*...	2	2	0

(*d*) For auditing the accounts of Industrial and Provident Societies except Agricultural and Fishing Societies and Clubs :—

	£	*s.*	*d.*
Not exceeding 3,000*l.* of gross receipts	3	3	0
Exceeding 3,000*l.*, for every 1,000*l.* in excess up to 10,000*l.*...	1	1	0
Above 10,000*l.*, fee to be fixed by special arrangement.			

(*e*) For auditing the accounts of Agricultural and Fishing Societies registered under the Industrial and Provident Societies Acts :—

	£	*s.*	*d.*
Not exceeding 2,000*l.* of gross receipts	2	2	0
Exceeding 2,000*l.*, for every 1,000*l.* in excess up to 10,000*l.*...	1	1	0
Above 10,000*l.*, by special arrangement.			

Additional Charges.—The scale of fees is exclusive of travelling expenses. The Auditor may charge an additional fee, as may be arranged with the society, for work which is not part of the Audit.

7. Every Public Auditor must send a return of his audits, in the prescribed form, to the Registrar of Friendly Societies, not later than 31st January. For the purposes of this return, the Auditor should keep a record of the registered names and numbers of societies, classified as in paragraph **5** above, their receipts and payments, and his audit fees and additional charges (if any).

8. Auditors are expected to make themselves acquainted with the provisions of the Industrial and Provident Societies Acts, 1893 to 1928, the Friendly Societies Acts, 1896 to 1929, and the Industrial Assurance Acts, 1923 to 1929, and with the rules of the Societies whose accounts are submitted to them for audit. Attention is called to the Treasury Regulation under the Friendly Societies Act, 1896, which provides that no valuation of the assets and liabilities of a society or branch shall be deemed to be a valuation under the Act when the person by whom the same is made (whether a Public Valuer or not) has audited the accounts of the society or branch for the last year of the valuation period.

9. A Public Auditor who has been found to have solicited audits by advertisement, circular or otherwise, or by offering commission or other inducement to officers or to members of societies or to other persons, will be struck off the list of Public Auditors.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

SEVENTH DAY.

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERIC EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE
7th February, 1930.

SEVENTH DAY.

Friday, 30th May, 1930.

PRESENT:

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

MR. JOHN FOX, O.B.E. (*Assistant Registrar of Friendly Societies and Deputy Industrial Assurance Commissioner*), representing the Chief Registrar of Friendly Societies and Industrial Assurance Commissioner, called.

The Committee had before them the following Memorandum by the Chief Registrar of Friendly Societies and Industrial Assurance Commissioner:—

MEMORANDUM No. 37.

1. The following are extracts from such of the Acts administered by this Office as contain provisions relating to the appointment of "Public Auditors" or professional accountants. Their employment, except in the case of the Friendly Societies Act, is compulsory.

Friendly Societies Act, 1896.

Section 26 (1). Every registered society and branch shall once at least in every year submit its accounts for audit either to one of the Public Auditors appointed as in this Act mentioned, or to two or more persons appointed as the rules of the society or branch provide.

Section 30 (1). For the purpose of audits under this Act the Treasury may appoint Public Auditors, but the employment of those auditors shall not be compulsory.

Industrial Assurance Act, 1923.

Section 15 (2). The audit of accounts required by Section 26 of the Friendly Societies Act, 1896, shall, in the case of a Collecting Society, be made by a Public Auditor appointed under that Act.

Industrial and Provident Societies Acts, 1893 *to* 1928.

Act of 1893, Section 72. The Treasury may appoint Public Auditors for the purposes of this Act.

Act of 1913, Section 2 (1). Every registered society shall once in every year submit its accounts for audit to one or more of the Public Auditors appointed under the provisions of the principal Act.

Building Societies Act, 1894.

Section 3. Notwithstanding anything in the rules of any society under the Building Societies Acts, one

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at least of the auditors of the society shall be a person who publicly carries on the business of an accountant.

Superannuation and other Trust Funds (Validation) Act, 1927.

Section 8. "Auditor" means a person having such qualification as may be prescribed by regulations made by the Chief Registrar of Friendly Societies.

Regulations (S.R.O. 1928, No. 175). An "Auditor" shall be either one of the Public Auditors or a member of one of the Institutes of Chartered Accountants or of the Society of Incorporated Accountants and Auditors.

2. Public Auditors are appointed by the Treasury on the recommendation of this Office, and our experience, for reasons which will appear later, has led us to the conclusion that a register of accountants, established by law, is desirable.

3. Before 1920 appointments to the List of Public Auditors were not confined to the members of any particular associations of accountants, and even included a number of laymen. Experience showed that the work performed by lay auditors and by members of the minor associations of accountants was often unsatisfactory, and at our suggestion the Parliamentary Secretaries to the Treasury made a Regulation on 30th March, 1920, that a Public Auditor must be "a member of one of the Institutes of Chartered Accountants (England, Scotland and Ireland) or of the Society of Incorporated Accountants and Auditors". It was agreed, however, that persons appointed before 1920 who were not so qualified should not for that reason be removed from the List.

4. Since March, 1920, new appointments have been confined to members of the Institutes and the Society with the exception of a small number of senior auditors recommended by the Co-operative Union, Ltd., who were appointed in 1927 as part of a special arrangement designed to overcome the transitional difficulty of applying the Treasury Regulation to the long-established auditing system of the Co-operative Movement. The following figures show the number of Public Auditors possessing the restricted qualifications in 1919 and 1930 respectively :—

	1919.	1930.
Chartered or Incorporated Accountants	733	1,033
Others	259	154

5. The Regulation of 1920 has resulted in a considerable improvement in the general standard of auditing. This may suggest that, so far as we are concerned, a register established by law is not required, but our position as advisers to the Treasury in this matter is somewhat similar to that of the Local Legislation Committee of the House of Commons inasmuch as applications for recognition have continually been made since 1920 by associations which were not then recognised. Representations by deputation and otherwise have been made to the Prime Ministers, Chancellors of the Exchequer and other Ministers of the successive Governments, and the position has become increasingly embarrassing.

6. Apart from the Institutes and the Society, the following incorporated bodies of accountants are known to us, and there is nothing to prevent the formation of an unlimited number of such associations with varying standards (or the absence of standards) of professional qualification and conduct :—

London Association of Accountants, Ltd.
Central Association of Accountants, Ltd.
Corporation of Accountants, Ltd.
Institution of Certified Public Accountants, Ltd.
Faculty of Auditors, Ltd.
Society of Statisticians and Accountants, Ltd.
Professional Accountants' Alliance, Ltd.
Institute of Company Accountants, Ltd.
Institute of Cost and Works Accountants, Ltd.
British Association of Accountants and Auditors, Ltd.
Institute of Municipal Treasurers and Accountants.
Institute of Poor Law Accountants, Ltd.

7. In 1903 a Joint Select Committee of both Houses of Parliament was appointed to consider the principles which should govern the powers given by Parliament in the special Acts relating to Local Authorities. It reported (*inter alia*) that the auditors should be members of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors. This recommendation was in accordance with the precedents which had been followed by Parliament since 1890, and, in spite of many petitions by other associations, the recommendation was, we think, adopted without exception down to the time when your Committee was appointed, but in the recent case of the Cardiff Corporation Bill the Local Legislation Committee decided to permit the addition of the London Association of Accountants, Ltd., on the petition of the Association.

8. In 1920 we were of the opinion that the bodies mentioned in the Treasury Regulation were definitely of a higher standing than the other associations then in existence, and the proceedings on the hearing of petitions by the Local Legislation Committee, as far as they go, seem to furnish evidence that this view was justified.

9. It may be that the London Association of Accountants, Ltd., has improved its standing of late years, and if it could be established that it had attained to the standing of the Chartered Institutes and the Society, it ought in all fairness equally to be recognised by the Treasury. At the same time it is difficult to arrive at any basis for comparison, and improvement (whether real or merely alleged) in the standard of the London Association and of the other unrecognised bodies will make it increasingly difficult to differentiate.

10. In the circumstances referred to we are in favour of the establishment of a register of accountants, for even should the standard adopted be lower, during the transition period, than the standard of the present List of Public Auditors, it would no doubt be provided that those admitted to the register in future should not be of lower standing, or in any event that they should be of sufficient standing. Another advantage of the register would be to put an end to the highly unsatisfactory position as it is to-day in which the public is faced with an ever growing number of Societies of Accountants without having any means of estimating their respective merits.

11. As mentioned in paragraph **1**, the Building Societies Acts require that one at least of the auditors shall be a person who "publicly carries on the business of an accountant". This has been construed to mean that anyone, whether qualified or not, who exhibits a brass plate or otherwise publicly professes to be an accountant, may carry out an audit under these Acts. The intention no doubt was to ensure audit by a properly qualified person, and its failure illustrates the difficulty of achieving that object without specifying particular bodies of accountants—a difficulty which registration would overcome.

12. I attach a general statistical summary which gives an idea of the extent of the operations of the various bodies under the control of this Office* and a statement showing the audits undertaken by Public Auditors in the year 1928 under the different heads.†

* Not reproduced. See Stationery Office Publication : "Registered Provident Societies in Great Britain—General Summary, 1926 and 1927."

† Appendix Z.

Mr. JOHN FOX, O.B.E., examined.

2040. (*Chairman*): Mr. Fox, would you like to say anything to us before we begin asking you any questions ?—No, I do not think anything has occurred to me beyond the Memorandum which has been put in.

2041. Public Auditors are appointed by the Treasury on the recommendation of your Department ?—Yes.

2042. Since 1920 the appointments, with one exception, have been confined to Chartered and Incorporated Accountants ?—Yes. The one exception embraces I think about seven or eight individuals.

2043. You tell us in paragraph **4** of your Memorandum that a small number of senior auditors recommended by the Co-operative Union were appointed in 1927 as part of a special arrangement designed to overcome the transitional difficulty of applying the Treasury Regulation to the long-established auditing system of the Co-operative Movement. How does the Regulation work now as regards Co-operative auditors ?—One has to refer to the special arrangement which is mentioned. Up to 1920, when there was no particular qualification required, every appointment of members of the Co-operative Wholesale Society Audit Department, and of other persons employed by the Co-operative Movement, had been recommended. It was the usual practice to appoint them to the List of Public Auditors if they were recommended by the Co-operative Movement as a whole. Arising out of that arrangement I think, or to some extent out of it, the Co-operative Union set up a sort of training school for auditors. I think persons employed in their auditing department and persons who were sometimes secretaries and sometimes book-keepers in the Co-operative Societies took the course at a training centre, passed an examination and were given some diploma, whether with letters or not I am not sure ; but persons who had passed that examination of the Co-operative Union were as a rule, if recommended by the Movement, appointed as Public Auditorr. But the Regulations made by the Parliamentary Secretaries to the Treasury in 1920 were alleged to be a blow to the Co-operative Union, because they rather struck at the root of the training organisation which they had set up. It was impossible in our view, however, to make any exception in their favour and put them on the same footing as the Chartered and Incorporated Societies ; but in course of time a scheme was suggested. The Society of Incorporated Accountants and Auditors under its rules and regulations is empowered to admit to its examinations persons who have not served articles with one of its members, provided that they are able to show that they have had a training which is comparable with articles, and we suggested to the Parliamentary Secretaries of the time that it might be a way out of the difficulty if we could get the Incorporated Society to agree to admit to their examinations persons who had had a training in the Co-operative Wholesale Society's Auditing Department. After considerable negotiation, an arrangement was come to between the Society and the Union by which if a man had had so many years' training in the Audit Department of the Co-operative Wholesale Society, he could go before the Board of the Incorporated Society and be admitted to their examinations and so become an Incorporated Accountant. As a result of this arrangement the Co-operative Movement will be able to have their own auditors when their candidates have had time to sit for the examinations. But in the meantime there were vacancies to be filled, and the Parliamentary Secretaries agreed to appoint a certain number of nominated persons to fill the gap. That was the special arrangement referred to, and that is the only exception that has been made since 1920 to the general rule.

2044. Can you tell us what would be the annual number of accountants appointed to the panel ?—I should say about 30.

2045. I suppose you receive constant applications from various societies for recommendation ?—Yes. First I might perhaps say that we receive a far greater number of applications from Chartered and Incorporated Accountants than we are prepared to accept. We could get an ample supply of Public Auditors from these two institutions without looking any further.

2046. Yes, but you receive applications from the other societies mentioned in paragraph **6** of your Memorandum ?—Yes.

2047. Do you ever receive applications from accountants and auditors who are not members of organisations ?—Oh yes, from time to time.

2048. In paragraph **9** you suggest that organisations which have attained to the standing of the Chartered and Incorporated bodies should be recognised ?—Well, it seems to us that it would be illogical to adopt any other course.

2049. Quite. Naturally you find it very difficult to arrive at any basis of comparison ?—Yes. There is no means of ascertaining public opinion.

2050. Do you think that registration might remove this difficulty ?—Yes, distinctly.

2051. By establishing in time a common basis ?—Yes.

2052. In course of time would you feel able to recommend that all persons on the Register would be eligible for appointment as Public Auditors ?—Yes.

2053. Probably during the first period of registration the effect might be not to level up but to level down ?—Quite.

2054. During that period would it be possible, do you think, to appoint from the Register ?—We should certainly have to consider the applications more carefully and to go rather more thoroughly into the circumstances of the individuals who applied than we do at present.

2055. Because presumably the general standard set by the legislature for the transitional period might not be so high as the standard you set now ?—Yes.

2056. In paragraph **10** you refer to the ever-growing number of societies of accountants. You say that the public have no means of estimating their respective merits. Do you think that that position is detrimental to the public at the present moment ?—Of course I am not speaking from official knowledge on that, but I think it is, because Accountancy is becoming more and more a scientific profession. One sees instances of bad audits resulting in enormous losses. I have in mind at the moment a case where a society has probably lost a large sum as the result of a bad audit. If trading or other organisations employ unqualified persons limitless losses might occur to them.

2057. May I ask whether the result you speak of is the result of an audit by an unqualified or incompetent person ?—No. But there would be the remedy : if the qualified person or the recognised person is guilty of professional misconduct or incompetence presumably there is a means of dealing with him and ridding the public of his future services by disciplinary action.

2058. Apart from what might happen to him afterwards, the person who conducted this audit might be on the Register ?—Quite.

2059. If he was a member of one of the societies of accountants of course he could be dealt with by the society ?—Yes.

2060. Have you heard of any public demand for registration of accountants ?—No, I do not think I can say we have.

2061. Or many complaints as to audits by unqualified people ? Do you think the public are suffering,

small traders or others, by having their accounts audited by unqualified people ?—Oh, I am quite sure they are. We have experienced that often. Where accounts are audited by what I call laymen as opposed to proper accountants, the public must suffer.

2062. You are using the term "layman" ?—As opposed to a professional accountant.

2063. By professional accountant, you mean an accountant practising on his own ?—Yes ; a person whose living is that of an accountant, whether qualified or not. But taking the extreme case—of which we have quite a large experience in my office—the auditing of Friendly Society accounts by people who are not accountants at all, by gardeners, for example, or anybody else who is not an accountant, then I do say the public must suffer. In the same way they would suffer, in less degree, by an audit by accountants who were not really properly qualified.

2064. Therefore in your view if registration were introduced it would have to be restricted in order to deal with that kind of people ?—Yes. The only way of dealing with the particular trouble I have in mind is by legislation ; that is, to compel the Friendly Societies to employ Public Auditors.

2065. Or to provide that no one shall practise as an auditor unless he is on the Register ?—Yes. To take an extreme case, I have seen the accounts of a Friendly Society audited by a person who signed by a mark. In another case one of the auditors was a well educated man, who probably had a very high qualification comparatively speaking to act as auditor for a Friendly Society. When the accounts were investigated he was asked whether he had seen the very large number of securities held by the Society. He said he had not. When he was asked what books he had seen, he replied that he did not know, but he had seen some pamphlets and he was sure the figures added up correctly. That is an audit by what I should call a lay auditor, a man who ought to be a fairly intelligent member of society, though not an accountant. In lesser degree the man, in our experience, who has been given some diploma in accountancy merely because he has paid a fee of two guineas to sit for a form of examination is also a danger.

2066. (*Mr. Bellman*) : In your Memorandum it is suggested that practically all the Acts with which you are concerned have a fairly satisfactory definition of what an auditor should be, with the exception of the Building Societies Act ?—I must except Friendly Societies, because you may have an audit by any two persons appointed by the members.

2067. Yes. What I have in mind is the very loose and inadequate provision which I am sure you recognise in the Building Societies Act of 1894 where it merely says : "one at least of the auditors shall be a person who publicly carries on the business of an accountant." Can you tell the Committee whether, as the result of that inadequate description, your Department has experienced any difficulty in dealing with accounts so audited ?—Oh yes, we certainly have. The definition is so wide as to include almost anybody.

2068. One may take it that there are accounts which you have had to refer back perhaps for explanation and revision because of an inadequate audit ?—Yes.

2069. Then you spoke of a case where a Society, not a Building Society presumably, is likely to suffer a considerable loss because of incompetent auditing. I think you said that the auditor in that case was a member of one of the recognised professional bodies ?—Yes. I perhaps ought to qualify what I said before. I understand that the audit in question was nominally done by a qualified man, but in practice it was done by his clerk, who was not a qualified man.

2070. The responsibility would remain on the qualified man ?—Yes ; the man who signed the certificate.

2071. Then assuming that it is established that this loss is due to the incompetent handling of that audit and that the auditor in question or the accountant in question is disciplined and possibly expelled from his society you would regard it, I imagine, as a very serious danger that that man might continue to practise as an accountant after expulsion ?—Quite.

2072. With such a case in mind, I take it you would welcome registration if it would bring about discipline in such instances ?—Yes.

2073. In all cases where incompetency involved someone in loss ?—Yes.

2074. (*Mr. Branson*) : The Parliamentary Secretaries to the Treasury have full power to approve of any person or any class as being eligible to be appointed as a Public Auditor ?—Yes.

2075. Does approval necessarily carry with it appointment, or is there any investigation ?—At the moment there is practically no investigation into the local standing of the man. If he is a member of the Chartered Institute or the Incorporated Society that in itself is taken as sufficient ; and if a person is nominated by a particular Society and an application comes in, with the qualification, I may say that there is very little further enquiry except in particular cases. We do not ask for any recommendation or reference of any sort or description. Being on the Roll of Members of the Institute or the Society is in itself sufficient.

2076. Then would not the effect of registration if brought in merely be to shift from the Parliamentary Secretaries to some other authority the task of deciding who was eligible and who was not ?—No. I think then one would choose from the Register such a number of persons to be Public Auditors as were required. The great difficulty at the moment is not in selecting individuals but in keeping at bay organisations and associations whose diploma is of doubtful value. We have got two at the moment which in the public estimation, I think, are perfectly sound. And if a man is a member of one of these societies he is probably a properly qualified accountant. At the moment one may have other societies which are getting somewhere nearer—whether they have reached the same standard I do not know, there is no means of telling—but I think there are some which we would say are getting towards the same standard as the two recognised societies. There are others which we know are not. We know perfectly well that their examination is not worth considering.

2077. My point is this : that at the present moment the Parliamentary Secretaries have to decide whether men are eligible or whether they are not ; is not that right ?—Well, they have to decide whether an individual applicant is eligible or not ; but to protect themselves they have made this Regulation that they will not look at anybody who is not a member of one of these institutes.

2078. It appears to me that if you get a Register and say that everybody who is registered is eligible, all you have done is to shift to the people who compile the Register the discretion which is at present vested in the Parliamentary Secretaries, as far as public audit is concerned ?—Yes, I agree that that is so. But I was under the impression that it was a Register which would be set up by Parliament in such a way that anybody who was on it could be accepted as a properly qualified person.

2079. (*Mr. Walker Clark*) : You mentioned that there were about 30 vacancies annually for the panel ? —Yes, I think about 30. I should not like that figure to be accepted as accurate without verifying it.

2080. It is quite sufficient for my purpose. But you have a very much larger number of applicants to fill the 30 vacancies ?—Oh yes, very much.

2081. How do you select them ?—Principally on a geographical basis. We try and get Public Auditors

spread all over the country so that any society in any village has easy access to one or more Public Auditors.

2082. As regards the special arrangement that was made with the Co-operative Union a few years ago, I understand that the suggestion that Co-operative auditors should be admitted to the Incorporated Society's Examination came from you ?—Yes. The Parliamentary Secretaries were being very much pressed by the Co-operative Union and we suggested this arrangement as being a way out of the difficulty.

2083. Then it really was an act of grace, shall I say, on the part of your Department to relieve a difficult situation ?—Yes.

2084. Temporarily ?—Yes.

2085. How would registration have prevented the large loss to which you referred just now ?—From time to time we find cases where there have been very large losses, and where there has been an audit. If the auditor has been so negligent that he might be found criminally responsible for the loss, in that event, if there is a Register I take it that the Disciplinary Committee would remove him from the Register and he could not afterwards practise as an accountant.

2086. But surely if he were criminally negligent he could be prosecuted ?—Yes.

2087. Would you insist on that in your Department? —Certainly.

2088. So that the same result would be obtained by the criminal procedure ?—Yes : but there is nothing to prevent that man when he came out of prison setting up either in the same neighbourhood or probably somewhere else and calling himself an accountant.

2089. In your Memorandum you refer to the "highly unsatisfactory position as it is to-day in which the public is faced with an ever growing number of societies of accountants without having any means of estimating their respective merits." That infers, does it not, that the public is distinctly disadvantaged by organisations which are not sufficiently careful to include within their ranks only qualified men ?—Yes.

2090. Or only men with high qualifications, such as belong to the older societies ?—Yes ; I think the ordinary man or woman in the street is probably impressed more by a man who puts five letters after his name than one who puts two. In fact I should think that the majority of uninformed people would probably rather consult an L.R.C.P. than an M.D. if they were ill. That is really what I had in mind.

2091. (*Mr. Kenneth Lee*) : I am not quite sure that I understand why it is necessary under present conditions to make specific appointments to the List of Public Auditors.—I think the principal reason is this : that the Acts of Parliament lay down that the Auditors are to be appointed by the Treasury. If anybody who, we will say, is a Chartered or Incorporated Accountant, ipso facto goes on to the List, then the Treasury do not appoint, or they do not exercise any discretion of appointment. Of course an alternative to the present arrangement would be to say that the accounts might be audited by any Chartered or Incorporated Accountant. By retaining the power of appointment we are able to lay down a schedule of fees and to stipulate that persons on the List must accept audits, which is very much to the advantage of the Societies concerned.

2092. If every Chartered and Incorporated Accountant came on, there would be less chance of your making regulations ?—No, we could not make them.

2093. And there would be more competition?—Yes ; competition might be a satisfactory solution, but I do not think it would be in all cases.

2094. Do you think they might form a ring then and put up the price ?—It is possible. I do not think it would be illegal.

2095. I take it that the real reason is that if you were to decide that all Chartered or Incorporated Accountants automatically should come on to the List, then you would have greater pressure from members of the other societies ?—Yes. I think there might legitimately be more pressure. I think there is this reason which weighs, that some of the societies whose accounts fall to be audited by these Public Auditors are very small indeed, and the fee which the Auditor would be entitled to charge in some cases would not be more than two guineas. Well, it does not pay a busy man : on this kind of audit he is probably out of pocket. But by limiting the number to somewhere about 1,000 or 1,100 there is, we will say, an average of seven audits a piece all round—something like that number. Then there is some chance of their getting quite a reasonable remuneration for their work.

2096. Are they bound to accept audits ?—Yes, they they are bound to accept them.

2097. You have the distinct advantage that your Auditors are bound to accept the audit at the scheduled fees ?—Yes.

2098. And if the List were thrown open, that rule would disappear ?—Yes.

2099. Could you tell me whether a member of one of the Scottish Chartered Societies can get on the panel ?—Yes, the Chartered Societies.

2100. Then there are the three Scottish Societies and the two English Societies ?—Yes.

2101. (*Mr. Scott*) : I presume that the sole value of registration in your mind is that it fixes a very definite standard for accountants and that anyone on the Register could be employed by you ?—Yes.

2102. Does that mean that you would definitely decline to employ anyone who was not on the Register ?—Do you mean for the purpose of public audits ?

2103. Yes.—Oh yes, distinctly.

2104. (*Mr. Wills*) : I am still not quite clear whether you are prepared to substitute the Register for the List of Public Auditors. I think in answer to one of the Chairman's questions you rather indicated that you would not go outside the Register ?—No.

2105. But you would not automatically employ all persons on the Register ?—No. We are dealing mainly with a number of thrift or quasi-thrift organisations, some of which are very small, and the legislature desires to encourage them ; and it is an advantage to give them an efficient audit at a cheap rate. You can only get that by limiting the number of Auditors.

2106. But if the Register included large numbers of persons who did not belong to the Chartered or the Incorporated Societies, would you be prepared to accept them automatically because they were on the Register ?—No ; I am against accepting anybody automatically.

2107. In that case I do not quite see what the advantage of the Register is to you. It seems to me you would still have to look into the qualifications of each applicant, as you do now ?—No, I do not think so at all, except during the transitional period.

2108. Which might last a generation, as has been pointed out several times to this Committee. People who get on the Register at the start may remain on it for twenty years ?—One has not heard of any great scandals in connection with the Dentists' Register, for instance.

2109. No ?—That was only set up in quite recent times. I agree that it depends on the scope of the Register.

2110. It depends entirely on the way the Register is compiled ?—Yes. If you take the list of societies that we refer to in the Memorandum, and say that anyone who was a member of one of those societies

could go on the Register, then for the purpose of making recommendations to the Treasury with a view to the appointment of Public Auditors we should have a very close scrutiny and be particularly vigilant.

2111. It has been suggested to us several times that every member of every society should automatically go on the Register. If you had such a Register I imagine that it would not be of very much use to you?—Well, during the transitional period we should still be able to say we have sufficient applicants from among Chartered and Incorporated Accountants. There is no appeal against a refusal to appoint.

2112. But would the position be very different from what it is now?—Yes, in the future, because the matter will be stabilised; whereas now we are in a continual state of uncertainty as to whether A, which may be the first on the list of unrecognised organisations, should be recognised, or B or C which are very near it in standing. If we recognised any one of them, the question must arise, either then or at some future date, whether others should not also be recognised. We are all the time being pressed, and directly one society is recognised another comes up to be considered. You may be perfectly right in recognising them, or you may not. It is so difficult to tell.

2113. If a Register is established you would be in favour of stringent conditions of admission; otherwise it would not be very much use to you?— Yes, I think that is so. I think, we should feel ourselves in a position to overcome the difficulties of the transition period. But that it should be made stringent for the future, I agree.

2114. (*Chairman*): May I ask one more question: I think you have referred to an audit that was carried out by a gardener. A Friendly Society, unless it is a Collecting Society, can employ anyone it likes to carry out its audit?—Yes; any two persons, or one Public Auditor.

2115. But if there two persons they need not possess any qualifications?—No.

2116. And presumably in the case you have mentioned he would be a member of the society?—Yes. Generally they are.

2117. That is the reason why they would be employed?—Generally.

2118. I suppose it is a voluntary audit?—No, not always. I think you could probably find cases where it would cost them less to employ a Public Auditor.

2119. I was seeking the reason why they appointed such people?—Well, I think it is because from time immemorial it has been looked upon as a perquisite.

(*The Witness withdrew.*)

Mr. FRANK W. SMITH, Accountant and Auditor, called.

The Committee had before them the following Memorandum by Mr. FRANK W. SMITH:—

MEMORANDUM No. 38.

1. With reference to the appointment announced in the Press of a Committee to consider a question of registering professional Accountancy, it would seem desirable to point out that the interests of practising accountants who are not within either the Institute of Chartered Accountants, the Society of Incorporated Accountants or any other incorporated body, but who still rely upon the profession of accountancy and its precepts as a means of livelihood, should not be overlooked.

2. There must be a great number of people who have built up a practice within a term of years, by sound, painstaking and professional methods, who have even taken recognised examinations and yet have not sought admission to (for example) the two older and more senior bodies of the profession for bona fide reasons, such as the insistence upon service under articles.

3. It is much to be desired that your Committee will carefully weigh such considerations as the above in conjunction with the undoubted mass of other data which will confront them in endeavouring to deal with a very difficult question.

10*th February*, 1930.

Mr. FRANK W. SMITH, examined.

2120. (*Chairman*): I think you are not a member of any society of accountants?—I am not.

2121. Have you ever considered the question of becoming a member of a society?—Yes. Quite in my early days of practice I thought of joining the London Association of Accountants, and I took their examinations. I was allowed exemption from their preliminary examination. I passed their intermediate and I passed stage one of their final, but not stage two. For those two examinations I have the certificates of the London Association. I did not proceed any further, because I had some idea that if I could put in say eight or nine years' practice I might see whether I would be allowed by a further examination to join the Incorporated Society. But I have gone no further with that idea: I have been too busy conducting my practice.

2122. In paragraph 2 of your Memorandum, you suggest that there are several reasons why a number of persons now in practice as accountants have not sought admission to the two older and more senior societies of accountants. You give us one reason in the insistence upon service under articles?—Yes.

2123. Can you give us any further reasons?—Well, I could if I were allowed time to answer that question, and put it into writing. I do not feel called upon to answer that off hand, if you will pardon me.

2124. May I ask when did you first take up practice as an accountant?—In 1922.

2125. Could you give us some account of your training?—Before the War I was chief book-keeper for a firm of pig iron and slag manufacturers in the County of Derby. I held that position until 1918; I had been previously in the employ of that particular firm as a junior. I left them to go into the coal trade; again in a commercial line. Evidently they thought something of my services inasmuch as they asked me to return to their employ as book-keeper and railway rates expert. That position I carried on until 1918, when I went into the employ of the Air Ministry as Accountant Officer at Catterick Aerodrome, in Yorkshire. I suppose that would constitute some of my

war service, because I held a certificate of exemption by being employed in a pig iron firm, as I have just stated. I got a greater grasp of accountancy methods whilst being with the Air Ministry, because the Auditor who paid monthly visits to my Aerodrome seemed to take a great interest in me and put me on to the idea of trying to become a professional man and practise on my own account. I believe the gentleman in question is a practising Accountant in Wallasey, Cheshire, and I suppose he could be referred to to verify my statement. I soon found out that there were certain things incumbent upon me, but I do not want to take up your time about that now. After being, shall I say, demobilised from the Air Ministry, I went to the Chloride Electrical Storage Company, Clifton Junction, again in a very high commercial position, having a staff under me and so on, and having to deal with figures. From there I went as prospective partner to an Accountant who was unlettered, who was practising in Leigh, Lancashire. I left him to set up upon my own account in the town of Swinton, Manchester, in the year 1922. From Swinton I went to Ripon, where I now am, for health reasons. I dispensed with part of my practice that I had accumulated at Swinton; but when I went away to Ripon most of my former clients came back to me. I did not approach them; they came back of their own accord. I can verify that. I have continued to endeavour to conform to the standard which I can see for myself the two older bodies of the profession lay down for us: that is not to tout—not to advertise.

2126. What chiefly is the character of the accountancy work in which you are engaged?—Right away through preparing and dealing with the accounts and advisory matters of omnibus companies, right away down to very small traders.

2127. What would be your experience in regard to small traders: do you think that the small trader at the present moment is suffering at all from unqualified accountants?—I am certain of it, Sir.

2128. Do these people tout for the business of the small trader?—50–50 I should say; but I find instances of touting in my own city.

2129. You said just now that you observe the professional etiquette that is followed by the members of the well-known societies. Would you say that that is the general rule among men who are practising as accountants but are not members of the societies?—No, I should say it is not, quite frankly.

2130. In giving that answer would you refer specially to the question of touting?—Yes, most decidedly.

2131. That is what you have chiefly in mind?—Yes.

2132. Have you any views as to the desirability of setting up a Register?—Yes; if I may be allowed to state them in short. I consider quite frankly that there should be some method of registration; and, if it were possible, keep the two older bodies intact without, shall I say, we small fry coming anywhere near them, because they have a standard, there is no doubt, and we look up to them as such. If there could be some grouping of them as group one people, members of the newer incorporated bodies, such as the L.A.A. or the C.R.A., might become a further group; and the unlettered people—I do not know by what means it could be done—might be formed into a third group and be subject to some examination which the Board might lay down, such as proving that they had been in practice for a minimum time of five years, and that they had book-keeping and accountancy practice before that. Because one does not wish an accountant to grow just like a mushroom. I think some such standard might be considered. I cannot say that it will be. I have not included in that rough idea anything as to the matter of Public Auditors, because I suppose there are different conditions governing their appointment, and that the places for them are pretty well filled now up and down the country.

2133. (*Mr. Walker Clark*): Are the various accountants employed by the small traders to which you refer, clerks or schoolmasters or small traders themselves?—No. The class of people I have in mind are solicitors' managing clerks; and people employed in municipal offices.

2134. Well, I call those clerks?—And bank clerks.

2135. I call those clerks?—Very well.

2136. They are of that class?—Yes.

2137. Are they employed for income tax purposes chiefly?—Yes, chiefly.

2138. Are the people who employ them small traders in the sense of keeping a shop, or are they milkmen or farmers or cattle dealers or what are they?—Well, they come in all these categories; they are shopkeepers, cattle dealers and farmers and small business people.

2139. People who ordinarily do not keep a complete series of accounts?—I should say that their records would be very rough indeed.

2140. And people who would really be almost a nuisance to the professional man keeping their accounts?—Oh, hardly that; because take the case of a cattle dealer whom I know very well in my own district; his turnover would be £20,000 or £30,000 a year.

2141. But he would have no books of his own?—He should have.

2142. Except a bank book?—He usually goes on the theory that the bank will keep his books for him.

(*The Witness withdrew.*)

Mr. WILFRED WOOD, Accountant and Auditor, called.

The Committee had before them the following Memorandum by Mr. WILFRED WOOD:—

MEMORANDUM No. 39.

1. It must be borne in mind that there are a number of practitioners with practical experience who are quite prepared to sit for the examinations of the Institute, but not having been articled to a member of the Institute, they are not allowed to present themselves for examination.

2. May I suggest that the views of the leaders of the various bodies now giving evidence before you are not the views of the profession of public accountancy as a whole. At the present time it seems that the various bodies of accountants are directing their energies more towards the extolment of the particular virtues of their respective bodies than for the benefit of the profession as a whole. Is not the Institute more concerned with monopolising all work for its members? On the other hand, are not the other bodies asking too much that the public accept their members as fit and proper persons to practise as public accountants? I put it to you that an Incorporated Accountant who has spent the whole of his life in a Municipal Treasurer's office is not competent to practise as a Public Accountant. An investigation

of the registers of all the bodies of accountants now in existence, with the exception of the Institute, would reveal that a large number have had no training in public accountancy whatsoever.

3. It has been suggested that all practitioners be placed upon a register, retain their distinctions such as "Chartered", "Incorporated", etc., and that any future entrants to the profession be confined to those who have served articles with a Chartered or Incorporated Accountant, and passed an examination of the Institute or Society. The effect of this would be to force all the other bodies out of existence. It would mean that practitioners who are members of other bodies or unattached, although placed on the Register, would be looked upon as an inferior grade, for all new recruits to the profession would be Chartered or Incorporated, and the others mentioned would be barred from possessing either of these degrees. I suggest, therefore, that if the Institute desires to retain for its members the distinction of "Chartered" or the initials "F.C.A." and "A.C.A." the Institute should be required to admit to its examinations all accountants at present in public practice who are placed upon the Register, and to admit to membership those who pass such examinations. This is the only course if the Institute desire to avoid a charge of placing certain practitioners in a position which would make it impossible to compete. To ask a practitioner to give up his practice and to become an articled clerk for five years is ridiculous. If by law a man is a fit person to practise, and to be put on the Register, it is not for the Institute to consider him unfit for membership, provided he can pass the examinations.

4. I have spoken to many Chartered and Incorporated Accountants who have very decided views upon the matter of registration, but who have no real idea as to the attitude of their leaders in the matter. I am of the opinion that the real views of the whole profession could be obtained far better by meetings of Public Accountants all over the country. My suggestion is that a Central Society be formed in London for the purpose of organizing District Societies of Public Accountants, and the District Societies be formed in every town controlled by a committee composed of members of different bodies of accountants and one person not attached to any body. Every accountant in the district would be invited to apply for membership, and the committee would grant membership to all Practising Accountants who were considered competent men carrying on practice in a professional manner. The committee would have the right to refuse admission to incompetent men and to those who advertise, etc. Any one refused admission would have the right to appeal to the Central Society. Thus, not only could a census of opinion be taken through these District Societies, but a preliminary Register would be in existence. Committees, with local knowledge, would be able to differentiate between bona fide practitioners, and, say, a man who, from his private address, writes up the books of small tradesmen.

5. At present it appears that the only type of registration suggested is such as that used for the medical and dental profession. May I suggest consideration be given to the formation of a body such as the Incorporated Law Society, and the passing of an Act restricting the practise of accountancy to members of such incorporated body. I am of the opinion that one body into which subscriptions from all accountants would flow would make for a better and more economical administration of the profession. All members of such a body would be qualified accountants, but only those in public practice would hold the practising certificate, and Inspectors of Taxes and others would not be allowed to accept the certificate of a man who did not possess a practising certificate. I make this suggestion to avoid what is at present an annoyance to bona-fide public accountants: that is, the amount of work carried on by clerks to public accountants in their spare time, whose certificates are accepted by the Inland Revenue authorities because they are members of some recognized body of accountants. These clerks, having no overhead expenses, and carrying out the work in their spare time, are able to perform an audit for a very small fee.

6. With regard to those accountants who are at present members of existing bodies and who have had no experience as Public Accountants' clerks, there seems no reason why they should not form a society which would give them undeniable status as municipal treasurers, company accountants, etc.

16*th May*, 1930.

MR. WILFRED WOOD examined.

2143. (*Chairman*): Mr. Wood, you are not a member of any society of accountants?—No, my Lord.

2144. Have you ever considered the question of becoming one or of passing an examination?—No. I have often wished that I could be a member of one of the senior bodies; but I have seen no object in belonging to one of the other bodies.

2145. How long have you been in practice?—I have been in practice about eighteen months.

2146. As an accountant?—Yes.

2147. Perhaps you would give us some account of your career?—Prior to that I had been three years with Chartered Accountants and about seven years with Certified Accountants, as managing clerk.

2148. After that you set up on your own?—Well, I took over an existing practice really.

2149. What is the type of practice in which you are at present engaged?—The ordinary accountancy business. I do not go in for income tax work or anything like that. Of course I deal with income tax in connection with accounts. I put my clients' accounts through the Income Tax Authorities, but I do not hold myself out as specialising in income tax.

2150. Do you do accountancy work for traders?—Yes, and all kinds of people.

2151. Do you think that the small trader is suffering at all from having his accounts prepared by unqualified people?—By unqualified people, yes; by people who simply put a brass plate up and start without any experience. I think they are certainly bitten very badly sometimes.

2152. Does that class of person tout for business?—Oh yes, they tout. They stick up cards in public houses and circularise, and advertise in the Press, and so forth. They are a nuisance absolutely.

2153. May I turn to paragraph **3** of your Memorandum. I see that in the event of a Register being set up you would object to members of the Chartered Institute and other bodies retaining the right to use their designatory letters, unless these bodies admit to their examinations all accountants at present in public practice who are placed upon the Register and admit to membership those who pass such examinations?—Well, I think it rather unfair that a man who has had the necessary practical experience should be prevented from sitting for the examination. At the same time I feel that Chartered and Incorporated men should not be looked upon in the same way as a lot of other people who are in practice at the present moment.

2154. You would not want everybody to be put on the same dead level?—I should not want everybody to go on the Register, no. I would only put on the Register, if I had any voice in it, those who have had proper practical experience in a public accountant's office and have passed an examination.

2155. But supposing a Register were set up, why do you wish to preclude the members of the various societies, if they are on the Register, from retaining their designatory letters?—Well, of course it depends on what kind of a Register it is. We do not know that at the moment. If a man were put on the Register as a Registered Public Accountant, and all sorts of people were put on, it would be assumed immediately that that man had got on there through a bit of luck; and everybody would be the same. On the other hand, the Chartered men would attempt to create a distinction and all the other people would be taken to be the same—if you quite follow my meaning. The man who has had eight years or ten years proper experience and is prepared to sit for an examination would, I think, if he passes the examination be as good as a Chartered man. On the other hand, if the Chartered men are going to get the distinction, that other man is going to have a very rough time trying to compete with the Chartered men.

2156. Even if they were both on the Register?—Yes. At the same time I would not wish to be classed in the same way as the tout.

2157. (*Mr. Walker Clark*): Paragraph **4** of your Memorandum: you suggest that a Central Society should be formed in London for the purpose of organising District Societies of Public Accountants?—Yes.

2158. Is not that to all intents and purposes the setting up of a Register?—Well, no.

2159. A local Register?—My object was to form those societies and then to take a real concensus of opinion from accountants. At the present moment they are only being represented by leaders of their bodies.

2160. Like every other profession?—A good many C.A.s and Incorporated men would not uphold the views which have been put forward up to the present.

2161. I do not quite follow.—I know many Chartered men who would press for registration, and I know many Incorporated men who would not agree that all Incorporated men should come on the Register.

2162. Why have they not made those views heard?—I do not think they have had a general meeting on the point.

2163. They have a Journal?—Yes.

2164. And a Secretary?—Yes, I agree.

2165. And the postman carries letters. The organisation you suggest appears to me to be to all intents and purposes a Register organised within the profession.—Well, there would be a preliminary Register. My idea was this: supposing a local society such as that were set up in a town, the members of the Committee would know from their local knowledge and personal experience which practitioners were touts and which were not.

2166. But is that the only unpardonable sin, touting?—Oh no, that is not the only sin. The worst sin is chucking together a few figures and calling them accounts. I have followed up many an inexperienced man whose accounts have been useless.

2167. (*Mr. Scott*): What is your objection to the Chartered and the Incorporated Accountants displaying their particular designation, and benefiting by the prestige which I think you will admit has been built up by those bodies?—Quite.

2168. Why should others be getting the advantage of that C.A. prestige without having complied with the conditions laid down by the C.A. body?—Because those conditions are such that they cannot be complied with in a good many cases; a man's parents may not always have sufficient money to pay a premium of 250 or 500 guineas.

2169. Is it not incumbent on other men to create a prestige for their own particular societies? Why should they want to take from the C.A. body, or to have handed over to them, the prestige of the C.A. body without having complied with the conditions of that body? It seems to me that that is not reasonable.—Well, it is purely a question of money, is it not?

2170. No, because I say that you can, if you like, at any time create a prestige, if you set about it, which will satisfy you, and others in other bodies.—Well, as a matter of fact I have got some notes on that. My idea is that the other societies have failed because they have admitted men who have had no practical experience in public accountancy; they admit men who are municipal accountants or company accountants. I do not think that a municipal accountant is at all qualified to practise as a public accountant.

2171. Yes, but surely there are one or two bodies, apart from the Chartered Institute and the Incorporated Society, who have an excellent prestige at the present time?—Of course the Incorporated Society have an excellent standing; but then they have a number of men—and I think they would press for them to be included on the Register—who are engaged on municipal work, and I cannot see that those men would be of any use as public accountants. I think a good test would be to ask a firm of accountants if they would employ a municipal treasurer as their managing clerk, and I am sure they would not.

2172. Would you consider yourself an expert in income tax questions in connection with, say, the audit of any limited company?—Oh yes. I can deal with any income tax matters, and I do so.

2173. You yourself have made a thorough study of income tax legislation?—Yes.

2174. Have you done the same in connection with bankruptcy?—Yes.

2175. And mercantile law?—Yes: I have done a great deal of study and I am reading now. I have had a good deal of experience in these matters; and I have conducted liquidations, bankruptcies and and receiverships. May I hand in the notes to which I have referred?

(*Chairman*): Certainly.

(*The Witness then produced the following Memorandum and withdrew.*)

MEMORANDUM No. 40.

By MR. WILFRED WOOD.

1. It must be agreed that if all members of all existing organizations are placed upon the register it will be to the disadvantage of the public. The fact that anything is a disadvantage to *Chartered* Accountants does not seem to enter into a discussion which is taking place, I understand, for the benefit of the public and for the profession as a whole. Too much stress appears to be laid upon the future of the *Chartered* Accountant, and I submit that if he is a man of outstanding ability, he will reach his goal whether registration takes place or not.

2. It appears to me that all societies other than the Chartered Institute have missed the main point, in that they have failed to distinguish between Professional Public Accountants and other accountants. They have admitted to their ranks men who have had no experience of public accountancy, but who may be excellent accountants in their own sphere. The result is that one cannot point to any particular body and say, "There is a body which is entirely composed of men with good practical experience as public accountants who have all passed an examination."

Taking the Society, it has to be admitted that those members who have served in a public accountant's office and passed the Society's examinations, are men with qualifications equal to a Chartered Accountant. My point, however, is that it is not possible to make a statement to the effect that all Incorporated Accountants are qualified to practise as Public Accountants. With regard to the other bodies, the difficulty is even greater, for whilst there are members who have had excellent experience as Public Accountants and passed examinations, there are others who have passed *no* examination and still another class who have had no experience in public professional accountancy, nor have they passed any examination. I cannot agree, therefore, that members of these bodies should be placed upon the Register, as and when they desire to practise as Public Accountants. The difference between public accountancy and municipal, government or company accounting is exceedingly wide. Apart from such matters as liquidations, receiver-ships, etc., a Public Accountant has to contend with circumstances of which other accountants have no conception. To keep in good order a set of books, however large, with an efficient staff and regular rules laid down as to the treatment of this and that item is a totally different thing from being called upon to examine books of divers concerns. A Public Accountant is expected to know the system necessary for every class of business. He is expected to be able to prepare Accounts for years back from books in a hopeless muddle. In tax cases he is called upon to satisfy the Inspector as to a man's profits for a number of years past from books which can scarcely be called books, and sometimes from such papers as he is able to find or to obtain by making application. He has also to deal with that type of client who will not be frank as to his affairs.

3. It appears quite certain from the evidence given on behalf of the Institute that even if registration is granted, the Institute will make every effort to convince the public that a Chartered Accountant is in an entirely different category. They do not wish to lose the high standing which they have already gained, and one cannot blame them for that, in view of the fact that so many persons are likely to go on this Register whose experience and qualifications cannot be said to be a tithe of those of the members of the Institute. At the same time, I think the Institute could do a great deal more than it is doing to help the profession. It is unlikely that they will agree to any suggestion that persons put on the Register who have actually had the right kind of experience should be admitted to their examinations. If they could see their way to do this there would be an end to a great deal of warfare. Every man with the right kind of experience would present himself to the Institute for examination, and I think the Institute would gain some members of whom they might be proud. If, however, the Institute will not consider any such thing and registration comes about in its broadest sense, that is, includes everybody practising at the moment, then what is to become of those men who possess the necessary practical experience, and have passed examinations or are prepared to sit for examinations. Accountants who have a certain lease of life before them do not desire to spend the remainder of that life as men who are not the real thing, but have become Registered Public Accountants through a certain amount of luck. Some may say, "Join one of the other bodies of accountants, and use its designation." But as I have pointed out, these other designations do not give the status which a Professional Public Accountant requires. I am not decrying the other societies. They have done excellent work, and their examinations are of high standard, but the fact remains that they have failed to distinguish between public accountancy and other kinds of accountancy. It seems, therefore, that if registration is to come about and distinctions are to be used, there should be some distinction which could be used by accountants with the necessary practical experience who have also passed an examination. A body formed of such men would then be in a position to say to this Committee "We have had the same experience as Chartered Accountants, we have passed an examination of equal test to that of the Chartered Accountants, we are as good as Chartered Accountants." No other body can say this. Some of the individual members can say it, but not any body. Speaking of designations, letters after a name should be sufficient; one does not hear of a Chartered Physician or an Incorporated Surgeon.

4. What I would like to know is whether registration is really going to bring the whole profession together, in view of the suggestions that there shall still remain all these various societies. Will these societies work in perfect harmony or will they continue to fight?

5. There is another point upon which I would like to comment. Sir William Plender has told you that he does not wish to prevent a man who cannot afford to pay for articles from getting into the profession. He appears to be satisfied with five years in a Public Accountant's office and sufficient examinations. If he would be satisfied with this, why does he desire to create such a distinction between Chartered and other men.

6. A great deal has been said in connection with banks and insurance companies, who hold themselves out as willing to undertake accountancy work, such as preparation of Income Tax Returns. It could hardly be stated that the preparation of Income Tax Returns is accountancy and there does not seem to be any reason why legislation should prevent banks, solicitors, etc., from preparing returns of income, for, as everybody knows, in the case of traders, firms, etc., Inspectors of Taxes always call for certified accounts. As presumably these accounts would be required to be certified by an accountant duly registered, I do not see what harm would be done by a bank taking an accountant's figures and entering them upon the return.

7. Comment has been made upon the possibility of excluding all persons but registered accountants from acting as liquidators, trustees in bankruptcy, etc. I cannot see that accountants should monopolize this class of work. It would probably be necessary for the liquidator or trustees to have his accounts certified by a registered accountant. Regarding solicitors, I think it will be found that the Law Society does not encourage its members to dabble in accountancy, and it is my experience that solicitors recommend their clients to instruct an accountant. There seems no reason why a solicitor should not prepare his client's Form of Return; should it deal with the profits arising from a business, then the solicitor would be bound to obtain from the accountant a certified balance sheet and accounts to substantiate the figure shown in the return.

8. Are such minor considerations as bank clerks and accountants to companies who occupy their spare time in preparing balance sheets to interfere with such a large question as is at present before this Committee?

Mr. C. G. C. KILNER, Accountant and Income Tax Expert, called.

The Committee had before them the following Memorandum by Mr. C. G. C. KILNER:—

MEMORANDUM No. 41.

1. I was educated at Uppingham School, served throughout the War, was articled for a short time with a firm of Chartered Accountants in the City, had three years' experience in the Inland Revenue as an Assistant Inspector of Taxes, and have practised with some success as an Accountant and Income Tax Specialist for seven years at Darlington and about one year in London. My present age is 33.

2. I should like to bring the following points to the notice of the Committee concerning certain Income Tax Specialists such as myself who are compelled to undertake a limited amount of Accountants' work in order to settle the Income Tax liability of trading concerns, and others, such as professional men who are compelled to render an account of their receipts and expenses.

3. There is a large amount of work of this nature undertaken by myself, and although I employ a Chartered Accountant for undertaking the larger audits, the Revenue have always accepted my figures as a basis of settlement of Income Tax liability.

4. While the desirability of a Register of Accountants is not questioned, the methods of keeping such Register and the question of qualifications of those to be inscribed on such Register, more especially all persons who, at present, carry on any business relative to the word "accountant", are of vital importance.

5. It is obvious that many men are both theoretically more entitled to the style name "Accountant" than some of those who have to their credit the passing of certain examinations in book-keeping and elementary accountancy.

6. I respectfully submit that,

(*a*) Any man who has practised for a term of years or, again,

(*b*) Who carries on a *successful* practice, or

(*c*) Whose work has for many years been the work of an Accountant,

is at least equally entitled to be inscribed on the Register.

3rd February, 1930.

Mr. C. G. C. KILNER examined.

2176. (*Chairman*): I understand you are not a member of any society of accountants?—No, my Lord, I am not.

2177. Have you passed any examination of any society: have you thought of joining one?—No, I have not. My work is entirely connected with Income Tax. I have to describe myself as an accountant, because there are a large number of small trading concerns that keep some accounts as a record of their transactions. They have to send an account of what they are doing to the Inland Revenue each year. For eight or nine years now I have practised on my own account.

2178. Perhaps you will give us an account of your own experience before you started in practice on your own—what your work was?—I was in the Inland Revenue as an Inspector of Taxes. In that position one must have a certain knowledge of accountancy generally in order to deal with the accounts that are submitted. Accountants have also to be interviewed in connection with the accounts and the ultimate income tax liability. I gained part of my experience from being in the Inland Revenue; but my practice has grown in the last eight years, and I employ a Chartered Accountant, which I think is necessary for the larger audits. But there are certain types of audits, peculiar to doctors and professional men generally, where they do not always keep accurate records of their expenses, and it then boils down to a matter of negotiation.

2179. As regards the Chartered Accountant whom you employ for undertaking the larger audits, is that work outside Income Tax work?—It is necessary to ascertain the profit to arrive at the income tax liability, and you cannot do one without the other. Although an income tax expert, unless he has some qualification, ought not to undertake a large audit where there are considerable accounts, I think it is difficult for a man who is making a small income to employ qualified accountants, whose fees are rather heavy; or even to go to an income tax expert.

2180. Yes, I follow that; but I was asking whether you did other work not connected with income tax: ordinary accountancy?—I have done a certain amount of liquidation and bankruptcy work in connection with the Board of Trade; but 60 per cent. of my work is purely income tax and the other 40 per cent. is ordinary accountancy work which I have to do in order to settle the income tax liability.

2181. You referred just now to the small trader: do you do income tax work for small traders?—Yes, and for professional men such as doctors and dentists and so on.

2182. Do you think the small trader is suffering in any way as a result of having his accounts audited by unqualified men?—Not at all. I do not think any small trader would ever bother with his accounts except for the income tax. I am talking about the trader up to four or five hundred a year.

2183. By whom does the small trader have his accounts audited? What class of man?—I think he naturally has to make for the accountant whose fees are the lowest, generally speaking.

2184. But does he get competent service?—Yes, I consider that he does; as long as he can be relieved of the worry and can keep an accurate record and settle his liability to income tax, I think that is all he requires.

2185. Do you think that accountants in a small way of business tout for the small trader's work and are employed by him?—No, I do not.

2186. I see that in your Memorandum you do not question the desirability of registration.—No, I do not.

2187. Do you advocate it in order to protect the public?—Yes, I do to a certain extent; but anything that I see in my experience is limited primarily to taxation; and I am speaking partly on behalf of the public and partly to protect the Board of Inland Revenue. My experience of the Board of Inland Revenue has always been very happy, and my figures have invariably been accepted by them; and I think the Board of Inland Revenue are rather careful in accepting accounts from people like myself who are not qualified, unless they know something of their capabilities. I am admitted as a first-grade agent by the Board.

2188. If a Register of Accountants is set up, you of course think that Income Tax Specialists should be included?—I think that all types of accountants

would agree that anything up to 50 per cent. of their business has been increased by the demands of taxation at the present time.

2189. My point is this: supposing that Income Tax Experts are included, they would be described as Registered Accountants probably?—That is so.

2190. You do not think that by that there would be any confusion in the public mind?—I do not think so, with a properly established business; care should be taken that only well-known and reputable firms should be included on the Register when it is first compiled. I think in the case of a smaller income tax specialist, who is not properly established, that point might be open to question.

2191. The smaller man would only have experience in one kind of business?—Yes, that is right: he would only have himself to consider.

2192. At the end of your Memorandum you say that many men are more entitled to the style of accountant than some of those who have to their credit the passing of certain examinations in book-keeping and elementary accountancy. The men you first refer to, I understand, are the men who have been in practice for a certain number of years?—Yes, because I think that certain people practising on their own get a pretty good experience in the course of time. I do not say that a person who sets up to-day will have any qualification, but I contend that anybody in my position who has been in practice for eight years and who has a long and varied experience will acquire it. That is what I was trying to emphasise.

2193. (*Mr. Walker Clark*): You tell us that you were an Assistant Inspector of Taxes.—Yes.

2194. What were you in: the Legal Department, or the Accountant's Department, or the Audit Department?—An Inspector of Taxes in a local district in Northumberland.

2195. A small district?—I was in one of the Newcastle districts. There are about eight districts in Newcastle.

2196. How many were there in the office?—I had an Inspector over me and I was assisting him; there were perhaps ten or fifteen clerks.

2197. You had charge of the whole staff?—I was under the Senior Inspector, assisting him.

2198. You had charge of the whole staff?—Yes, under his supervision.

2199. You would be familiar with the legal side to some extent, subject always to the legal adviser; and also with the accountancy side of the work?—Yes: we were responsible for the whole area over which we had supervision.

2200. In paragraph **6** of your Memorandum you say that the second qualification for being on the Register is a successful practice?—Yes.

2201. What does that mean?—I mean to say a properly established practice.

2202. But you see you have that in qualification (*a*): "Any man who has practised for a term of years."—Well, I mean by that a man who has a sound reputation and a long and varied experience of accountancy.

2203. (*Mr. Scott*): Do you desire legislation because you think that at the present time there are a number of members of societies, as well as unattached individuals, practising as accountants who have very little qualification?—I believe there are many types of accountants, but I am not familiar with the names of the numerous societies.

2204. But my point is: do you suggest that registration should take place in order to get rid of this trouble of having societies with large numbers joining their membership who are not fully qualified as accountants?—Yes, I think that is desirable.

2205. Let us suppose that a Register were set up: the standard might have to be set fairly high?—Yes.

2206. Would you be quite willing, as accountant and income tax specialist, to submit yourself to examination as to whether you are to be admitted as an expert?—No: I would not.

2207. Then you want to come on the Register automatically?—I really do not mind whether I am included on the Register, because it would not make any difference to my work, as legislation stands to-day.

2208. Yes, but supposing it was laid down that no one should be allowed to continue to practise as an accountant without being on the Register?—I should eliminate the word "accountant" and continue to practise as an income tax specialist, employing a staff of accountants.

2209. Supposing other people were practising as accountants, do you think it would be satisfactory that such men should be allowed to continue practising as accountants only after satisfying a tribunal that they had had so many years, say, in the practice of accountancy as a period of qualification; do you think that would be fair?—Yes, most certainly. When the Register is first compiled some consideration must surely be exended to practices already established many years.

(*The Witness withdrew.*)

The Committee took note of the following Memoranda:—

MEMORANDUM No. 42.

By the British Bankers' Association.

The business experience of the Committee of the British Bankers' Association has not revealed any evidence that the public in general, and small traders in particular, have been prejudiced by the absence of any provision for the registration of accountants.

Beyond this statement they do not propose to submit any evidence to the Committee.

6th May, 1930.

MEMORANDUM No. 43.

By the Committee of Lloyd's.

The Committee of Lloyd's have not been concerned with the questions which gave rise to the appointment of the Departmental Committee on the Registration of Accountants, and they have no observations to offer in regard to the matters covered by the terms of reference.

They appreciate the invitation which has been extended to them to furnish evidence, but they are unaware at the moment of any way in which they are likely to be of assistance to the Departmental Committee.

9th April, 1930.

MEMORANDUM No. 44.

By the Committee of the Stock Exchange.

The Committee of the Stock Exchange do not consider that the terms of reference under which the Departmental Committee on the Registration of Accountants is appointed are such that they can usefully furnish that Committee with any evidence.

7th April, 1930.

MEMORANDUM No. 45.

By Mr. JOHN STEVENS, Accountant and Auditor.

1. Permit me as an Accountant and Auditor in practice for many years in this my native city, to respectfully ask that the Departmental Committee appointed by the President of the Board of Trade to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law, give every consideration to those who, like myself, are not members of any of the Societies of Accountants, and whatever register is produced as the result of the deliberations of the Committee, that those who are, and have been in practice, shall be allowed to continue their work, and that their names should find a place in the register.

2. Some years ago one of the Societies offered to enrol me as a member, and I believe there are a few left who were enrolled without examination by the Institute of Chartered Accountants, but to-day they must be few. Before starting in practice I was Managing Clerk to an Incorporated Accountant, and before this had considerable business training, and have spent the midnight oil in keeping myself versed in all that appertains to the work of Accountancy. I have always done my work, which I love, conscientiously, and have always given satisfaction to the Revenue Authorities. I know of nothing in which character more stands out than in this profession. I have never advertised myself as an Accountant or solicited work, having always conducted myself as if a Member of one of the Societies, and have held for many years continuous Audits of some Private Limited Companies.

3. I am seventy-one years of age, but still able to go strong with mental alertness and sight unimpaired, and it is necessary for me to continue my work in consequence of having two invalids in my family to care for, and I pray that whatever the able Committee may do, that in their report they will not be unmindful of those Accountants who, like myself, have to earn their living, and have been earning their living as Accountants for many years.

7th April, 1930.

MEMORANDUM No. 46.

By Mr. EUSTACE J. EASTMAN, Public Accountant and Income Tax Specialist.

1. With all respect I beg to submit to the consideration of the Committee the equity of a full recognition of the efficient and extensive work done by that large section of the Profession which does not belong to any Institute, Society, or other Corporate body, but which has secured its honourable position and livelihood in public practice, by individual efficiency and industry.

2. Lacking the assistance of parental affluence many of these practitioners had, like myself, to earn their own living from an early age in the open market, gaining thereby a wide knowledge of men and affairs, and training themselves by assiduous study for the more technical aspects of their future work.

3. "Self-made men", they have built up practices throughout the country, largely among the trading community, and unostentatiously and by sheer merit have won the confidence and esteem of Inspectors and Commissioners of Taxes.

4. It is submitted that in the event of a restrictive Register being deemed desirable, such Register should include the names of all Accountants who have been in public practice for a specified period and who can adduce satisfactory evidence of efficiency and integrity.

10th February, 1930.

(*The Committee adjourned.*)

APPENDIX Z.

CHIEF REGISTRAR OF FRIENDLY SOCIETIES AND INDUSTRIAL ASSURANCE COMMISSIONER.

AUDITS BY PUBLIC AUDITORS IN 1928.

Qualification.	No. of P.A.'s Employed.	Section 1, I. and P. Societies.		Section 2, Friendly Societies.		Section 3, Collecting Societies.		Total.	
		No. of Societies.	Fees.	No. of Societies.	Fees.	No. of Societies.	Fees.	No. of Societies.	Fees.
			£ s. d.		£ s. d.		£ s. d.		£ s. d.
Chartered	598	2,365	43,426 11 3	631	8,778 13 3	73	4,489 13 6	3,069	56,694 18 0
Incorporated	283	1,187	10,383 1 7	405	2,635 19 3	60	723 19 0	1,652	13,742 19 10
Corporate	22	332	7,649 18 7	59	376 2 0	6	446 17 0	397	8,472 17 7
Certified	22	156	2,082 12 6	43	155 6 0	3	19 19 0	202	2,257 17 6
Associated	10	239	2,849 2 6	35	239 8 0	5	40 19 0	279	3,129 9 6
Co-op. Audit Department	15	819	31,709 8 0	47	276 1 6	1	2 2 0	867	31,987 11 6
Co-op. Union	19	135	1,843 7 7	23	74 16 0	3	3 3 0	161	1,921 6 7
Nil	71	391	3,125 7 10	222	932 14 0	10	63 9 0	623	4,121 10 10
	1,040	5,624	103,069 9 10	1,465	13,469 0 0	161	5,790 1 6	7,250	122,328 11 4
Less Joint Audits	—	167	—	8	—	9	—	184	—
	1,040	5,457	103,069 9 10	1,457	13,469 0 0	152	5,790 1 6	7,066	122,328 11 4

Number of Public Auditors on List for 1928 = 1,164.

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REGISTRATION OF ACCOUNTANTS.

DEPARTMENTAL COMMITTEE APPOINTED BY THE BOARD OF TRADE

to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

MINUTES OF EVIDENCE.

EIGHTH DAY.

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DEPARTMENTAL COMMITTEE ON REGISTRATION OF ACCOUNTANTS.

MINUTE OF APPOINTMENT.

The Board of Trade are pleased to appoint the following gentlemen, viz. :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E., (*Chairman*),
MR. HAROLD BELLMAN, M.B.E.,
MR. FREDERICK HENRY EWART BRANSON,
MR. JAMES WALKER CLARK, C.B.E., J.P.,
MR. FREDERIC EDWIN WARBRECK HOWELL,
MR. KENNETH LEE,
MR. GEORGE J. SCOTT, J.P.,
MR. JOHN SCURR, M.P., and
MR. JOHN JOSEPH WILLS,

to be a Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

The Board are further pleased to appoint Mr. Frank Albert Griffiths, M.C., to be the Secretary to the Committee.

(Signed) WILLIAM GRAHAM.

BOARD OF TRADE,
7th February, 1930.

EIGHTH DAY.

Thursday, 3rd July, 1930.

PRESENT :

THE RIGHT HONOURABLE VISCOUNT GOSCHEN, G.C.S.I., G.C.I.E., C.B.E. (*Chairman*).

MR. HAROLD BELLMAN, M.B.E.
MR. F. H. E. BRANSON.
MR. J. WALKER CLARK, C.B.E., J.P.
MR. KENNETH LEE.
MR. G. J. SCOTT, J.P.
MR. J. J. WILLS.
MR. F. A. GRIFFITHS, M.C. (*Secretary*).

SIR WALTER RAINE, J.P. (*President*), representing the Association of British Chambers of Commerce, called.

The Committee had before them the following Memorandum by Sir Walter Raine, J.P. :—

MEMORANDUM No. 47.

1. I am President of the Association of British Chambers of Commerce having been elected in April, 1929, and re-elected in April, 1930. The Association has affiliated with it one hundred Chambers of Commerce in the United Kingdom and twenty-five British Chambers of Commerce abroad, with a total membership of about 50,000.

2. I am Managing Director of J. Raine & Son, Limited, Coal Exporters of Sunderland and Newcastle. I have been a member of the Sunderland County Borough Council since 1902. I was Mayor from 1920–1922, and was one of the Parliamentary Representatives of the said Borough from 1922–1929.

3. Before dealing with the evidence which I wish to submit I desire to refer to the evidence given by Sir Wm. Plender and Sir James Martin, which I have had the opportunity of perusing.

4. On page 5, Sir Wm. Plender calls attention to a circular issued by the Association of British Chambers of Commerce, copy attached.* May I add for the benefit of the Committee that it is the duty of the Secretary of the Association to call the immediate attention of the President to the appointment of any Committee of Inquiry, and to any suggested legislation which may affect trade. The constituent Chambers are then circularised in the name of the President, drawing their attention to the particular question and asking for the considered views of the different Chambers.

5. On receipt of the replies, the matter is dealt with by one of the standing Committees of the Association. If the subject is of sufficient importance a Special Committee is appointed, consisting of the Office Bearers of the Association together with some expert representatives from different parts of the country. If the topic is controversial, the Report sent in to the Government Department concerned will state quite definitely that there is a difference of opinion ; it has been found that these divergent views have been of assistance to the particular Committee of Inquiry, e.g. It will be realised that different views are bound to be expressed as between say those engaged in Motor Transport and those who are not, as to what should be included in any Road Transport Measure.

6. It would appear from the replies received from Chambers, of which a summary is attached, that there is a considerable difference of opinion amongst the business men who are members of Chambers of Commerce as to the desirability of the registration of Accountants, and from the evidence given before the Committee it would appear that there is a similar divergence of opinion between the members of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors.

7. With regard to Sir Wm. Plender's answer to question 16 in which he states that "he thinks the Public is sufficiently intelligent to discriminate", as a matter of fact, whatever may be the standard of intelligence, in actual experience the public is not always very discriminating.

8. With respect to the attempts made to obtain Registration of Architects, in this instance it is interesting to note that the leading Association of Architects in Great Britain desired to have registration for the protection of the Public, but the Bill did not in 1928 even obtain a Second Reading when I was Sponsor for it. The reason for not becoming law was undoubtedly the successful lobbying by the President of a small and unimportant Architectural Association, which was to have representation on the Examining and Registrations Committees, but which demanded to be placed on an equal footing with the Royal Institute of British Architects.

9. I am substantially in agreement with the evidence of Sir James Martin on the question of the desirability of a Register, but admit quite candidly that in order to obtain Parliamentary sanction to such a course it would be necessary to admit many persons at the outset who would be practising as Accountants, but who would have little or no qualification.

10. As I was Chairman of the Section of the Local Legislation Committee of the House of Commons, which had under consideration the Stoke-on-Trent Corporation Bill in 1928, I think it desirable to make a few brief references, because there is little doubt that it was the result of the observations made by the Committee which caused this enquiry regarding Registration to be held. In this said Bill, there was the usual clause with regard to Public Audit of the Corporation Accounts, the clause stating that Auditors who were to be appointed by the Corporation had to be members either of the Institute of Chartered Accountants or the Society of Incorporated Accountants and Auditors. The London Association of Accountants appeared before the Committee, having previously entered a petition, to have the name of their Association included in the list of those who should be eligible for an appointment as Auditors to the Corporation.

11. The following three paragraphs from the Evidence of the Stoke Bill on page 171 will convey to the Committee what we had in mind when we gave our decision :

Chairman : The Committee do not want to hear any more evidence or to hear Counsel address them on the subject. The view of the Committee is that these words ought to be deleted in this instance and they think that this London Association and the other Association or any

* Not reproduced.

(259—I) Wt. 1332/6604/13 500 8/30 Harrow G.3

other which there may be, should—I think it is by Petition—ask the proper authorities for the name of their particular Association to be included in this clause, when it is drawn up, in future Bills.

Mr. Jeeves: May I say, Sir, with regard to that, that it is fully within the competence of the Committee, if they still think fit, having heard the evidence, to tell the Promoters that they are not prepared to grant them the words "or other recognised association" but to put in the words "the London Association" and if you are satisfied that we have proved our case I would very respectfully submit to you that that is the proper course for you to take.

Chairman: I took care not to use any contentious words to say whether we approve the case or not, but the Committee were very much interested, in fact, they spent a lot of time on this question on Thursday last, and the mere fact of what the Committee's decision is shows you that, generally speaking, the leaning of the Committee is not for the future to have this clause so circumscribed. But they say, prove your case before another Tribunal. I do not know what the proper procedure is exactly.

12. May I just add that the Local Legislation Committee felt that the London Association of Accountants had proved its case, but that it was outside its province to grant special conditions to a particular Association in a Corporation Bill. The Law Officers of the Crown, whom I consulted on behalf of the Local Legislation Committee, took the same view.

13. I have had three years' experience as a Commissioner for Income Tax. Of course, we only have to deal with the cases where the officials have been unable to obtain figures which they consider satisfactory, but we are informed from time to time of the difficulty of obtaining proper accounts, not necessarily that there is any desire to defraud, but simply that the so-called Accountant is in some other line of business, i.e. one case recently, the accounts were signed Accountant and Carpenter; the person may have been a good carpenter but his knowledge of books was so limited that the Commissioners could not accept the particular accounts.

14. I will not say that there is a general demand for "Registration," but if registration is found to be desirable steps should be taken to ensure that registration is confined to persons of high standing and repute. Where there had been objections on the part of the Chambers to any registration it was because of the fear that the profession might be lowered by the inclusion of certain people, but if steps were taken to see that no one, in future, got on to that register except those who had the same high qualifications that we have been accustomed to from members of The Institute of Chartered Accountants, the Society of Incorporated Accountants and Auditors and the Chartered Accountants of Scotland, then there would not be the same objection to registration.

19*th June*, 1930.

SUMMARY OF VIEWS OF CHAMBERS OF COMMERCE.

Aberdeen: Commercial community in Aberdeen area are accustomed to deal only with Chartered Accountants who have the absolute and complete confidence of the community. They strongly desire to see this status maintained at its present high level and would deprecate anything being done which would affect their standing. If Chartered Accountants and other Accountants were all put on one register it would tend to create confusion in the mind of the public and lower the status of the Chartered Accountant.

Barrow-in-Furness: Strongly support proposal that accountants should be registered and that their qualification should be shown.

Bath: Support efforts to enforce the compulsory registration of all practising accountants.

Batley and Birstall: Desirable to restrict the practice of the profession of accountancy to persons whose name would be inscribed in a register established by law.

Belfast: Council in favour of registration of the profession of accountancy by means of a Registration Act duly passed by Parliament.

Birkenhead: Chamber practically unanimous in the opinion that a register of practising accountants should be established and that a Board consisting of members nominated by the leading bodies of accountants should be formed and given statutory authority to decide the lines upon which registration should proceed and the qualifications for registration.

Birmingham: General Purposes Committee opposed to establishment of the form of registration contemplated, being of opinion that the introduction of such a system would not be in the public interest. There exist at present two old and firmly established organisations representative of the profession, namely, The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, whose members are subject to examination before admission. There are also miscellaneous societies representative of various branches of the profession, membership of which is more easily obtainable. Any form of registration would tend to lower status of profession consequent upon the recognition of persons not eligible for membership of the two existing premier bodies.

Bradford: Accountants section formed in 1922. Includes Chartered Accountants, Incorporated Accountants and other practising accountants. Decided not to bring this question before the section as it might lead to dissension.

Chamber of opinion that it is desirable to restrict the practice of accountancy to qualified men under a disciplinary board of some description and for that reason the establishment of a register might be desirable provided that safeguards are instituted as to the persons originally included in the register, and that proper control of the register, and the position of the existing bodies of accountants, is maintained.

Bridgwater: Council fully approves statutory registration of accountants; heartily supports Accountants Registration Bill and trusts that the necessary steps will be taken to make it law.

Bristol: Council of opinion that there has been no public demand for registration of accountants and that simple registration would not be in the public interest. Public sufficiently protected by Institute of Chartered Accountants with its rights, examinations, etc., assigned to it by Royal Charter.

Bury: In favour of recommendation that the profession of accountancy and auditing should be placed on a unified basis similar to that of other learned professions by the incorporation of a representative body having control over the whole profession and keeping a register in which should be inscribed the names of all fully qualified members of the profession provided that the names inscribed on the register are those of persons who have served articles with a qualified accountant in practice.

Bury St. Edmunds: Chamber considers it desirable to restrict the practice of accountancy to persons inscribed in a register established by law.

Cardiff: Council decided to defer action until they receive advice from Association. The matter is one in respect of which the Association might usefully give a lead, in view of conflicting opinion.

Chesterfield: Council of opinion that time has arrived for the profession of accountancy to be confined to persons whose names should be inscribed on a register prescribed by law.

Dundee: Directors unanimously of opinion that the proposed registration is undesirable, principally for the following reasons:—(1) The difficulty of defining the wide range of professional duties undertaken by accountants is thought to be almost insuperable; (2) The scheme could only be carried by admitting to the register a vast number of clerks, cashiers, book-keepers and others who have no qualifications except in their own restricted sphere of accountancy. This would result in a levelling down of the whole standard of the profession and would not be in the public interest; (3) The public are at present in a position to discriminate between the qualifications of different accountants, but under registration this protection would largely disappear

Edinburgh: Directors unanimously of opinion that Chartered Accountant Societies of Scotland carry the full confidence of the business community and any change in the present position in Scotland is to be deprecated. Societies have attained present status and reputation through methods adopted over many years and anything which would tend to weaken their status is calculated to injure their prestige in the eyes of the business community.

Exeter: Council of opinion that it is desirable that the practice of accountancy should be restricted to persons whose names would be inscribed on a register established by law.

Glasgow: Directors not in favour of registration for accountants. No demand by business community in district for a register of public accountants. Business community in Glasgow and West of Scotland accustomed to rely mainly upon the members of the Institute of Accountants and Actuaries in Glasgow and other Chartered Societies, and there is a sufficient number of practising accountants belonging to these Societies to provide adequately for all probable demands. If the conditions of registration proposed involved a training and education not lower than that required to become a member of the above-mentioned Societies the proposed register would be no more than a list of the members of these societies. If, on the other hand, a lower standard of qualification was to be accepted, the standard of the profession would be lowered to the disadvantage of the public who might reasonably assume that persons whose names appear on the public register had the same training as members of those Chartered Societies to whom they had previously been accustomed. It will be very difficult to frame a definition of the "profession of accountancy" which will not cover duties now undertaken not solely by accountants but also by other persons, and it seems hardly necessary that in order to do such work as the preparation of income tax returns, trust accounts, etc., a man should possess such a wide and extensive knowledge of accountancy as the presence of his name on such a public register should ensure. In the event of a register being established the Directors are very strongly of opinion that the continued existence of the existing Chartered Societies is essential to the maintenance of the present high standard of efficiency and capacity which is now generally associated with the profession of Chartered Accountants.

Great Yarmouth: From the point of view of the public, registration of the profession might be beneficial as it would result in fixed standards of qualification by professional experience and examinations, and a system of discipline involving the observance of proper rules of professional etiquette and conduct. From the point of view of the profession, however, Government interference is undesirable and it would be preferable to leave things as they are. The Institute of Chartered Accountants during the past fifty years has established a position which cannot be equalled by any other unregistered professional body. The difficulty is that in addition to some 9,000 Chartered Accountants there are hundreds of accountants possessing some other qualification or no qualification at all ranging from the public practitioner to the book-keeper and cashier.

Halifax: Council of opinion that it is highly desirable that the profession of accountancy be limited to those who comply with certain conditions, e.g., (i) the attainment of a certain standard of education; (ii) specialised training for a number of years; (iii) appropriate examinations by a responsible body; (iv) admission to the profession or branch of the profession in which it is wished to practise; and (v) registration of the accountant's branch of the profession. Under existing conditions a man may describe himself as an accountant, without being a member of any Society and without any qualification for the profession. Evidence could not usefully be given by members of the Societies concerned as there would be too much bad feeling shown and therefore any evidence should come from outside. Generally an accountant embraces the following callings:—Secretary, actuary, accountant, book-keeper, financial adviser, stock and share broker, insurance agent or broker, auditor, business transfer agent, estate agent, debt collector, and income tax expert. A business man knows precisely what questions to entrust to each of his advisers and therefore business men are the most suitable persons to give evidence.

Hull: Chartered Accountants of opinion that registration would not be in the public interest. Incorporated Accountants not unanimous in their views. Minor bodies support proposal on the ground that registration would raise the dignity of the profession. Council of Hull Chamber defers expressing opinion until fuller details are available.

Leeds: In view of resolution adopted by the Institute of Chartered Accountants, Council do not see their way to support the suggestion for further registration of accountants.

Leicester: Considerable difference of opinion amongst three local Societies. Council taking steps to secure detailed views of each of local Societies for consideration.

Liverpool: While approving that in principle the practice of the profession of accountancy should be restricted to persons possessing proper qualifications, Chamber of opinion that so far as the leading bodies of accountants are concerned, this principle has been observed; that registration, if found desirable, should be accompanied by such safeguards that an improved status is not conferred upon persons not properly qualified; and that in particular, to enable the public to continue to form a judgment upon the qualifications of accountants, it is desirable that the present distinctive titles of practising accountants should be retained without the right to use any general term such as "registered accountant" or similar title.

London: Council decided that as the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors (which are both affiliated to the Chamber) have given evidence before the Departmental Committee no action should be taken by the London Chamber.

Luton: Council of opinion that a scheme of registration of professional accountants would be in the interests of trade and commerce inasmuch that statutory control of the profession would in time eliminate the unqualified practitioner.

Manchester: Directors of opinion that it is desirable to have a special register which would define which members of the accountancy profession should be permitted to carry on the profession of accountancy, but they are not prepared to suggest any method by which such a register could be established and controlled.

Newcastle-on-Tyne : In favour of registration for the safety of the public.

Newport : Chamber in favour of restricting practice of profession of accountancy to persons whose names would be inscribed in a register established by law but any such register should not interfere in any way with the present status of qualified accountants, e.g., a Chartered or Incorporated Accountant should still retain his particular designation, but an accountant admitted to the register who has no qualification should be described as an "accountant" and not "registered accountant".

Northampton : Council urges Association to support registration. At present there is nothing to prevent anyone from putting a brass plate on his door and claiming to be an Accountant. The Chartered Accountants and Incorporated Accountants have their own disciplinary methods but there is no control of any sort over the outside accountant. Registration of the profession would be generally welcomed and it would then be only a matter of time before the undesirable and unqualified element was eliminated.

Norwich : Chamber is strongly of opinion that it would be in the interest of the public that accountants should be registered.

Oldham : Council entirely in favour of recommendation that the profession of accountancy and auditing should be placed on a unified basis as recommended by the Local Legislation Committee of the House of Commons. Although there are many advantages and disadvantages arising from the closing of the profession the Council feels that it is a step in the right direction.

Preston : Chamber has no precise knowledge of a general desire in the accountancy profession for registration.

Rotherham : Chamber approve appointment of Committee. Unification of the accountancy profession on a basis similar to that of other professions is long overdue, and the increasing number of different kinds of associations of accountants, with varying qualifications, and the allowing of individuals to practise as accountants with no qualifications whatever is one that calls for legislative attention ; and it is to be sincerely hoped that the Committee referred to will be able to establish a basis of registration which can be accepted by the accountancy profession as a whole, and which will find favour and be duly passed into law by the House of Commons at a not far distant date.

Sheffield : Council of opinion that a statutory register of accountants should be established, under proper conditions laid down by Parliament, and persons not so registered should be disqualified from using the name accountant.

Southampton : Council heartily approves suggestion that practice of professional accountancy should be restricted to persons whose names would be inscribed in a register prescribed by law. Chamber not prepared to submit detailed views re method by which register should be established and controlled.

South of Scotland : Chamber in favour of restriction of the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law. In view of the differences existing between English and Scottish Law there should be a separate register of accountants practising in Scotland.

Sunderland : Scheme of registration of professional accountants would be in the interests of trade and commerce as statutory control of the profession would in time eliminate the unqualified practitioner.

Walsall : Council in favour of registration of accountants.

Warrington : Chamber unanimously in favour of the proposal to register accountants, but on the understanding that members of existing organisations retain their distinctive titles.

Wolverhampton : Council of opinion that time has arrived when public should be fully protected against unqualified and unscrupulous persons practising as accountants. There is no public demand for registration and care would have to be taken in carrying it out. Rules and regulations would have to be adopted for governing the profession and the governing body should include representatives appointed by the Societies of Chartered and Incorporated Accountants.

Sir WALTER RAINE examined.

2210. (*Chairman*) : Sir Walter, I do not know whether you would like to add anything to your Memorandum of Evidence ?—My Lord, I would like to refer to paragraph **9**. It was pointed out to me yesterday at the monthly meeting of the Association, when the Memorandum was under consideration, that it might be inferred from paragraph **9** that all the Chambers of Commerce were in favour of the registration of accountants. That is by no means the case, as you will see if you look at the reports that have come in from the various Chambers. I promised to mention this point particularly in order that there might be no misconception. I have really set out the salient points in the Memorandum, and if there are any questions that you desire to ask me I shall be very glad to do my best to answer them.

2211. I see there are about 100 Chambers affiliated to the Association ?—Yes. We wrote to the 100 in the United Kingdom but we did not write to those which are in foreign countries.

2212. About 41 of the 100 replied ?—That is right. You will see that I mention our method of procedure in paragraphs **4** and **5** of the Memorandum. When one of these various proposals come along, whether for an Act of Parliament or a Committee of enquiry, we feel it is our duty as an Association to circularise the constituent Chambers.

2213. I think that the views expressed by the majority of the Chambers that have replied are very much on the lines of those we have heard from other quarters. I notice, however, that the Luton Chamber is of opinion that a scheme of registration would be in the interests of trade and commerce because statutory control of the profession would in time eliminate the unqualified practitioner ?—Yes.

2214. The unqualified practitioner I assume is the man who is not a member of the Chartered Institute or the Incorporated Society ?—That is primarily so, a man who has had little or no experience of accountancy. Perhaps I may refer you to paragraph **13** of the Memorandum where I mention the Income Tax Commissioners. Experience in this matter is rather interesting, particularly in country districts. I serve as a Commissioner in a very large district, Sunderland being the centre. It is a big mining area, and it is extraordinary the balance sheets we get sent in, made up by people who, I have no doubt, are perfectly honest, but who do not understand the elements of accountancy.

2215. Are you referring to balance sheets of small traders ?—Small private traders. They are asked to submit accounts. That experience alone shows me that there are a great number of people pretending to do accountancy of some kind or other who have had no experience. The Luton Chamber is referring to people of that kind, I think.

2216. Could you tell us what class of person audits those balance sheets ?—As often as not they are friends. I have no reason to doubt their *bona fides*. I do not say that there is any fraudulent

intent. A small trader is requested by the Income Tax Surveyor to furnish accounts, and he goes to a friend who is probably a clerk in an office. This clerk may know how to enter up the receipts on one side of an account and the expenditure on the other, but he does not understand the separation, for instance, of capital expenditure from ordinary running expenses. Perhaps he does not know how to make up a profit and loss account.

2217. Could you suggest why he would go to a friend : is it because he does not know to whom to go, or is it a question of expense ?—I should say that primarily it is less expensive ; and secondly, the small trader in my experience is really afraid of the qualified men, although they are really his friends. He shrinks from showing them his figures ; he does not want anyone but his friends to know his business.

2218. (*Mr. Walker Clark*) : He thinks it may not be kept private ?—Yes. The small private trader thinks if he goes to somebody who is not a friend [his private affairs will become known all over the place.

2219. (*Chairman*) : Do you think the small trader suffers in consequence ?—I would not like to say that, but if they are unable to satisfy the Income Tax Commissioners, then the ultimate cost to them probably is far greater. As we are dealing with Income Tax, I may tell you that my experience has shown me that since chartered and incorporated accountants have been introduced into the Income Tax Departments in the various cities and towns—I am speaking for the district I know well, and I can also speak for Newcastle, where I have had some experience—the taxpayers are far better treated than ever they were before. But very naturally when these cases come before us we have to go through every case and we only deal, after all, with cases in which the Surveyor has been unable to get the figures. Supposing that we are dealing with the assessment of a grocer or a general trader in a prosperous district who sends in a return for £200 and that another grocer or general trader in the same area, not necessarily in the same street, has been making £2,000 or £3,000. We want to know the reason why it was not £2,000 to £3,000 in the first man's case. Very naturally we want to get accounts ; it is only fair to the public whom we are trying to serve.

2220. I suppose that the same difficulty often arises not because an unqualified man is employed but because the trader himself keeps few or no accounts? —That is also the case.

2221. A fairly competent accountant would have some difficulty ?—That is so ; and no accountant of repute would undertake to continue to audit the accounts unless he introduced a new system.

2222. I see that you do not suggest in the Memorandum that you know of any general public demand for registration ?—Quite candidly I say no.

2223. Do you think that if there were one you would know of it through the Chambers of Commerce ?—Well, some of the Chambers which have replied to our Circular say registration is necessary in the interests of the public ; that is as far as they go. Of course the trouble will be that undoubtedly at the outset, as with the dentists and other professions, you will unquestionably have to admit people who are below a satisfactory standard of qualification. That is the chief difficulty I see.

2224. You say "at the outset" ; but the effect would last over a considerable period, probably a generation, would it not ?—That is so. Of course, I cannot tell in which direction your minds are working, but if you want a model, perhaps, if I may respectfully suggest it, I do not think you could get a better model than that which was put forward by the Royal Institute of British Architects. I thought it was an ideal arrangement. First of all, I think they proposed to put on the register persons who have been in practice for three years—I am not sure as to the period—prior to the introduction of the measure ; secondly, the controlling body was to include representatives of the various associations, and would be the examining body and grant the certificates.

2225. You agree I take it that it would be many years before it could be said that all persons on the register were of a high standard ; do you think that during that period the public might lose confidence in the register ?—Oh, I would not think so. Those who thought about the matter at all would naturally seek out a person who held a qualification.

2226. One of the difficulties would be, would it not, to find a definition of an accountant ?—That is quite true. But if you had examined a Bill (as I have had to do) when it has been brought before a Committee of the House of Commons you would see that there is no difficulty in picking out the first three associations in the country. We admitted quite definitely that the London Society had made out their case ; the standards of the others are much lower.

2227. But if you adopted registration, they would have to go on the register ?—To begin with. But you see, what would happen would be this : one of the conditions would be that a certain examination would have to be passed.

2228. At the commencement ?—From the day the Act was passed. You would admit those who at a certain date had been in practice for so long, say a few years. I think seven or eight years ago the shipbrokers obtained a Royal Charter ; one of the conditions under which the Royal Charter was given was that anybody who had been practising for five years had to be admitted whatever their state of efficiency. But once the Charter was obtained and those people admitted, nobody could get in unless they had had so many years training in an office, and had passed two examinations. We are finding that that scheme is working excellently. Of course when it began it was really practically as you were ; but as these various people are dying off or retiring we are finding the scheme working more satisfactorily.

2229. It has been represented to us that if there were a register there would have to be a high standard of examination, and that this would be injurious to many of the smaller men who are doing useful work at the present moment, and who do not need the higher qualifications possessed by men who are doing work in the higher branches of accountancy.—I quite see that point. I think it was Sir William Plender who brought it out. It was with regard to secretaries of big companies. If you decide on registration you can easily have an exemption clause for such people.

2230. Possibly at the present moment the small trader is paying considerably less for accountancy services than he might have to do if there were a register with a high standard ?—Yes ; but might not he in the long run be better off ?

2231. Do you think he would ? Do you think he is suffering at present ?—He may or he may not be ; on the other hand, to refer again to Income Tax, have not the public a right to be protected ? I am firmly convinced—and I am not accusing anybody of dishonesty—that if we had proper accounts put before us the amount realised from the Income Tax would be much greater than it is ; and consequently those who are paying large sums might get the benefit. I am quite convinced of that.

2232. (*Mr. Bellman*) : In one of your replies to my Lord Chairman you referred to the small trader who has his accounts prepared by people of doubtful competence. Have you in mind the man who, while possessing no special qualifications, is practising on his own as an accountant ; or are you thinking of such men as may be employed in the day time as clerks and so on and who do accounts in their spare time ?—That is what I had in my mind. I also had in mind a clerk, who probably is not holding a

responsible position in some office and is unable to discriminate between capital expenditure and ordinary running expenses, but who is asked by a friend to make up accounts for him.

2233. So that in your experience the majority of the difficult and troublesome cases would arise from people who are not practising as public accountants but who are doing part time or spare time work ?—Yes, that is the case. I might give this as an illustration in favour of registration : I might argue this case both ways. I realise fully the hardship that may be done to a certain class of person but, after all, in these days of greater efficiency, people expect greater efficiency.

2234. It is quite conceivable that the type of clerk who has really an inadequate knowledge of accountancy and who is preparing accounts for the Commissioners of Inland Revenue might easily, through his incompetence, lose his client a con-considerable sum in rebates ?—That is quite possible.

2235. (*Mr. Branson*) : Are you aware of any concrete evidence in favour of registration which does not appear from the reports of the Chambers which are before the Committee ?—Absolutely none.

2236. (*Mr. Walker Clark*) : You said to the Lord Chairman that there was no public demand, so far as you know, for registration ?—That is so.

2237. But is it not the fact that out of the 41 Chambers of Commerce that have replied to your Circular, 27 speak in favour of registration ; is not that in itself an indication of some public demand ?—I qualified what I said about public demand by stating that I consider the public require protection. Quite candidly, it is one of those things where there are two sides to the question ; and if you read these reports through, you will find that one or two use the very phrase : " There is no public demand ". Then some of them qualify it.

2238. On the other hand, some of them are very strongly in favour of registration.—I agree.

2239. You have suggested that if a register were set up, we should have a very low standard for those who are admitted to the register ; is that so ?—No ; what would happen at the outset would be that the Bill would be brought before Parliament, and there would be a clause put in that from a certain date certain people would be admitted ; but they would not have passed the examination.

2240. Have we no alternative to that ?—Well, from what I know of Parliament, unless you admitted them or showed that you were going to admit them, you would not get the Bill through.

2241. You have referred to your experience as a Commissioner of Income Tax. Is it not the fact that, in a great many cases which are brought before the Commissioners the incompleteness of the figures is due to a misunderstanding of what Income Tax really is ?—Income tax is a tax upon those gains which are liable for taxation ; whereas a great many people who come before the Commissioners think that it is a tax on the surplus over and above what they have to live on, and so on.—Oh yes, certainly : that was a very common idea.

2242. Is it not so still ?—I cannot say that I find it so.

2243. (*Mr. Scott*) : What exactly do you think has caused the desire for registration of accountants ? You do not think it arises from any public demand ; what really is the reason, so far as you know ?—Quite candidly, if I am right in my premise, this enquiry is the result of the action of the Local Legislation Committee—*we* do not suggest any question of legislation at all ; but what we wanted to know for our future guidance was whether we had to allow people who belong to certain societies to have the right of auditing certain Corporation accounts. In my time I have had to deal with 70 of these Corporation Bills, and we felt that it was very hard lines on people to be excluded if they had the qualification. The audit clause provides that the auditors shall be members of The Institute of Chartered Accountants or the Incorporated Society ; then the London Association came along. At the first attempt—I forget the Bill—Sir Thomas Robinson (I was not Vice-Chairman of the Committee at that time) and his colleagues felt that here was a case of hardship. Two years later in the case of the Stoke-on-Trent Bill, they brought Counsel and, whilst we consulted the Law Officers of the Crown on the subject, we felt that as they had gone to the expense of Counsel, we ought to hear the evidence, which would be useful for the future guidance of that particular Committee, or their successors. As I say, if my premise is right, we never suggested registration ; but what we wanted was some Government Department to name the associations whose members were quite worthy of being allowed to audit Corporation accounts.

2244. Then registration would be rather a way of getting rid of discrimination between one society and another ?—Well, the removal of discrimination would come in on the question of scholarship afterwards ; if these people could not attain to the standard of scholarship which was required by the examinations, they would fail to become registered.

2245. Yes ; but in paragraph 7 of your Memorandum you seem to express the personal opinion that the public at present find it somewhat difficult to discriminate ?—I do not think the public discriminate at all : the average person to whom I have been referring does not discriminate at all.

2246. If you think, as I gather from paragraph 9 that you do, that it would be necessary to admit, to begin with, all those who had been in practice for so many years, then your register would necessarily include a considerable number of people with very slight qualifications ?—Oh, absolutely ; that is bound to happen at the beginning.

2247. Do you not think that the ordinary man in the street would find even greater difficulty if he found all these people called registered accountants ? At present he can say : " Well, one is a chartered accountant, another is a member of another body ", and so on : he knows, if he makes any enquiry at all, what is the real distinction between the societies. But if all and sundry, so to speak, in addition to their peculiar designations, are also called registered accountants, will not the man in the street be fairly bothered ?—Oh, I am not going to deny that at all ; and I set out in paragraph 9 quite definitely that I should have to admit that ; but there is a very good suggestion from one of the Chambers where they say that, even if registration be agreed to, why should not these bodies keep their titles.

2248. (*Chairman*) : Perhaps I might interpose for one moment. I think, if I may say so, there is a slight inaccuracy. You referred just now to the proceedings of the Local Legislation Committee in connection with the Stoke-on-Trent Corporation, and said that that Committee did not suggest registration. That was in 1928 ?—That is so.

2249. In 1929 the Select Committee of the House of Commons on Local Legislation in their Report made a recommendation that the profession of accountancy and auditing should be placed on a unified basis similar to that of other learned professions by the incorporation of a representative body having control over the whole profession and keeping a register in which should be inscribed the names of all fully qualified members of the profession ?—When was that issued ?

2250. That was in May, 1929 ?—I had forgotten it ; in fact, I do not remember it.

2251. (*Mr. Scott*) : Do you not think, as you appear to be in favour of registration, that the net result would be that the general public would disregard more or less the peculiar designation, whether C.A. or anything else, and simply go by the fact whether a man was a registered accountant or not ? If you get that state of things, the level of the accountancy profession would inevitably suffer from registration, because the standard of the register would not be equal to the standard of, say, the Chartered Institute. If a register is set up, shall we not inevitably lower the general level of the profession, and in that event will the public be better served than they are now ?—I should consider that the standard of scholarship would be continually being raised.

2252. Yes ; but you see it could not apply to a number of these small men ; they could never rise to the standard of registration coupled with, say, the educational qualifications of Chartered Accountants ?—Yes ; but, Mr. Scott, allow me to point out, first of all, that certain men would have to be put on the register, in my opinion, at a given date, and after that, all men would be equal. If they had not the brains to acquire the standard of scholarship, they simply would not be admitted.

2253. Yes ; but my point is that the Chartered Accountants and one or two other Societies have a standard—you have said so yourself—of educational qualification which is of the very highest degree ?—Yes.

2254. If registration were brought in, it would probably be impossible to set a standard nearly approaching that ; and if you get the whole mass of the less qualified men coming on the register you will not, I think, in the end protect the public as well as you do at present, when a man can say : " Well, I know the qualifications of the Chartered and other bodies, and I will employ one of them ". In other words, registration might give a hallmark which would be rather misleading to the undiscriminating public ?—I quite see the point you are making.

(*The Witness withdrew.*)

MR. S. E. CASH, SIR ALEXANDER LAWRENCE, BART. and MR. D. HARVEY J. HARTLEY, representing the Federation of British Industries, called.

The Committee had before them the following Memorandum by the Federation of British Industries :

MEMORANDUM No. 48.

1. The Federation of British Industries is incorporated by Royal Charter. Besides being an Association of Associations, including many of the largest trade organisations in the country, it has a large membership of over two thousand private firms and companies. The governing body of the Federation is the Grand Council, and its executive body is the Executive Committee, which is a very representative one and is drawn from all districts of the country, including Scotland.

2. For the purpose of furnishing evidence to the Committee appointed by the Board of Trade to consider and report whether it is desirable to restrict the practice of professional accountancy to persons whose names would be inscribed in a register established by law, the Company Law Amendment Committee of the Federation has reported to the Executive Committee, and its recommendations have been approved and are included in this Memorandum.

3. The Federation has had the opportunity of considering the evidence given on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors and it is apparent from that evidence that there is considerable diversity of opinion in the accountancy profession whether registration is desirable or not.

4. So far as the Federation is concerned accountancy assumes somewhat different aspects. There is in the first place the question of audit. The Companies Act, 1929, allows shareholders to appoint any person as auditor except persons standing in specified relationship to the Company, and although in most cases, no doubt, the persons appointed are possessed of technical qualifications, it does not seem to the Federation that it is necessary to fetter the choice of shareholders. The Federation are of opinion that the question of registration does not arise in relation to auditors.

5. It is understood that, even in the case of companies incorporated by private Act of Parliament, it is usual to allow any person approved by the Board of Trade to be appointed as Auditor, and in the case of small or private limited companies the Federation is of opinion that it would create hardship and inconvenience were present conditions to be altered.

6. Accountancy, however, embraces a very much wider scope than auditing. Every large business has in its employ persons versed in accounting, in relation to (1) costing ; (2) statistics ; and (3) the actual accounts of the business. Persons so employed are often very highly qualified for the particular work which they are engaged to carry out but would probably have little or no knowledge in other branches of accountancy.

7. In addition to the points mentioned there is also the question of the relations between the business and the Board of Inland Revenue with regard to Income Tax and also the position between the business on the one hand, and the Rating Authorities on the other. These matters again require knowledge of a different order and no doubt in many cases the employees of a Company dealing with these matters are assisted by their auditors. These two matters of taxes and rates often also require the services of the legal profession who in some cases deal with the actual figures.

8. It will be seen from what has been said that all these persons are persons who in one degree or another practise the profession of accountancy, but it is submitted by the Federation, and it is their strong view, that it would be undesirable that all these persons should be expected to qualify fully in every branch of accountancy, which it is presumed would be necessary if accountants were to be registered.

9. It has been stated to the Board of Trade Committee in evidence that many other matters are dealt with by professional accountants—that there are receiverships, liquidators of companies, trustees in bankruptcy and many other cases, but it should also be pointed out that as the law stands to-day it is not necessary that accountants should be employed for matters of this kind in every case.

10. In relation to rationalisation, where a company may have to be wound up and re-formed, the matter can well be dealt with within the offices of the Companies concerned, without calling in anyone from outside to act as liquidator, nor do Debenture-holders of necessity require an accountant in order to protect their interests when appointing a receiver.

11. Members of the Federation are mostly, at any rate, companies or firms of sufficient importance and knowledge to be able to employ professional accountants of high standing, and no complaints have been made from members as to any difficulties arising from outside persons with little or no qualification who designate themselves as accountants. The Federation feel, however, very strongly, that any registration which might compel the general registration of all persons dealing with accounts would have one of two results: either that it would be necessary to employ persons of very unnecessarily high skill and qualification in performing many of the operations which are at present quite amply dealt with, or secondly, that it would lower the whole level of efficiency of the profession, as lower standards would apply to a registered accountant than apply to the better class of accountant to-day.

12. The Federation's attention has also been drawn to the Bill which has been prepared by the Society of Incorporated Accountants and Auditors and they would deprecate in the highest degree the provision contained in clause 11 (3) (*d*) which would to all intents and purposes in the future prevent any person who dealt with accounts from carrying on any other business and, therefore, would, for example, prevent legal advisers of members of the Federation from dealing with Income Tax matters without the assistance of an accountant.

13. In addition it is noted that the definition of a professional accountant is quite inadequate and is so vague as to involve any person dealing with figures being regarded as a person who would have to be registered.

14. It will also be noticed that should the proposed Bill become law it would, by clause 19 (*b*), be unlawful for any person whose name is not on the register to hold himself out to the public as being prepared to undertake for pay the business of a professional accountant or to perform any functions prescribed by law as having to be exercised by a professional accountant. Unless this were modified by many exceptions it will be seen from what has been said above that members of the Federation would be very much hampered in their businesses as at present carried on.

19th June, 1930.

MR. S. E. CASH and SIR ALEXANDER LAWRENCE examined.

2255. (*Chairman*): Mr. Cash, I do not know if you would like to add anything to the Memorandum of Evidence which you have submitted?—(*Mr. Cash*): I do not think there is anything I want particularly to add.

2256. You tell us in paragraph **4** that it is your opinion that the question of the registration of accountants does not arise in relation to auditors. You have in mind I suppose the auditors of companies?—Yes, that is so. What we felt about that was that broadly speaking those people who require audits, as opposed to accountancy, really are in a position to judge quite well and to choose people themselves without any necessity for registration. That view is, of course, rather emphasised by the fact that the Institute of Chartered Accountants in giving evidence before you submitted a table of a number of companies which seem to find no difficulty in that way.

2257. You think the right of the shareholders to appoint the auditors should be unfettered?—Yes; not only unfettered, but at the moment they have no difficulty in making a good choice.

2258. The present system works satisfactorily?—Quite.

2259. You say in paragraph **5** that in the case of small private limited companies registration would create hardship and inconvenience?—The reason why we thought that was this; if one is going to have a system of registration and if that means, as it would probably mean, almost more qualifications than exist at present, then audits would become more expensive. I mean the more highly qualified a man is the more expensive he is. Where you want a man for a small operation you have no difficulty in finding a suitable man, and if anybody is in doubt we feel that they can always find some satisfactory person. One has only to go to one's local bank, for instance, and one will be told of some suitable person who is qualified.

2260. I gather from paragraphs **6, 7** and **8** that your argument is that it is unnecessary and undesirable to require persons holding appointments as accountants, that is to say employees, to be fully qualified to deal with every branch of accountancy?—Yes; because again you would have a more highly qualified and more expensive man than is otherwise needed.

2261. In paragraph **11** you suggest that the setting up of compulsory registration would involve the employment of persons of unnecessarily high skill and qualification to perform many of the operations which are at present quite amply dealt with?—Yes.

2262. Have you again in mind the question of fees?—Yes, very largely. If one looks at the Bill which has been drafted by the Incorporated Society—I do not quite know how one could draft it differently—I think it is laid down that a man who is an employee, say as a costs accountant in a works, is practising the profession of accountancy. Although it might be said that while he is with his existing employer he is not doing so, directly he comes into the market again for a fresh job he would in fact be holding himself out as a professional accountant, and would, therefore, require registration and would need qualifications in every branch of the profession instead of in the particular matters with which he is accustomed to deal, and in which he is probably highly skilled.

2263. I see that in paragraph **11** you also suggest that registration would lower the whole level of efficiency of the profession, as lower standards would apply to a registered accountant than apply to the better class of accountant to-day.—That is the other horn of the dilemma.

2264. That would only apply, of course, during the initial stages of registration?—Well, my Lord, I am not quite so sure about that, because although in the first instance no doubt many people would be admitted more or less automatically to registration, there would still be the dilemma in future that you would either have to have a very high standard, which is necessary at any rate for certain classes of accountancy work such as audits and so on, or alternatively, so as not to make it extraordinarily difficult to become an accountant, one would have to lower the standard of the profession; there would appear to be no middle course possible.

2265. And if you raised your whole standard up to the highest level the result would be?—Extremely expensive. I mean many people (as is mentioned in the Memorandum) who perform their functions quite satisfactorily now would have to be much more highly qualified people doing the same work as they are doing to-day, but naturally with a more expensive education and expecting to receive a larger return.

2266. Do you think there is any need at the present moment for the protection of the public against what, for want of a better word, I call unqualified men?—No, not that we have heard. I may perhaps put it in this way; we have had no complaints about it. One has heard of course, as a man in the street, so to speak, people saying: "Well, accountants are unsatisfactory". But at the same time if you are to have an arrangement of registration it is going to result in increased inconveniences to people who *are* able to judge; you would be imposing a hardship upon them for the benefit of the man who is so foolish that he cannot even take advice as to whom he should employ, which advice is very readily obtainable by him.

2267. You mean that by enquiry any person can find out a good man to do his accounts?—Very readily. He has only to go to his bank. The local bank manager would tell him at once and put him in touch with a suitable person.

2268. In paragraph **13** I see you suggest that the definition of a professional accountant in the Bill to which you have referred is quite inadequate. Have you in mind any definition of accountant which would be satisfactory?—No, my Lord, I do not think it is possible to define exactly what the term should mean. If I may give you an instance of that: I am a solicitor in practice; I suppose I should also be a professional accountant. That of course at once raises this difficulty; that as a solicitor I am not at liberty to carry on a separate profession. If I had to register as an accountant I should have to cease to be a solicitor as the law stands to-day. If, on the other hand, I were not registered as an accountant—as far as I understand the Bill—I should be prohibited from doing many things which I do to-day.

2269. (*Mr. Bellman*): Mr. Cash, it is very clear, I think, from your evidence that you have been reading with keen interest the draft Bill of the Society of Incorporated Accountants.—Yes.

2270. You appear to assume that all persons employed by private firms and the like whose work involves figures, and indeed all who have the remotest connection with accountancy, would be required to register. Would you mind telling me what is the basis of the assumption. Can you point out any limitation that it is proposed to apply to private firms in that way?—One has to look at the Bill as a whole I think and perhaps I may refer you to page 48 of the evidence which was given before you on the second day, in the first column. There is first of all the definition of "professional accountant" which means "any person whose business or occupation is the performance of the functions of a professional or public accountant". May I take one case: let us say a costs accountant who is employed by a firm. That would appear to be one of the functions at any rate of a professional or public accountant, to deal with a costing system; therefore in that sense he is carrying on that function. If one looks at clause 19 (*b*) on page 51 one finds this provision: From and after the passing of this Act it shall not be lawful for any person whose name is not on a register kept under this Act to hold himself out to the public as ready to undertake for pay the business of a professional accountant. Without going any further than that, I think that possibly while he remained in the employment that he was in at the time the Act was passed he might be all right; but directly he lost that particular post and held himself out to undertake a similar one it appears to me that he would be holding himself out to the public for the performance of an engagement at a salary, which is really undertaking for pay the business of a professional accountant; therefore he would be required to register. Equally a man who had not started on his career at the time the Bill was passed, directly he applied for his first job he would be holding himself out as undertaking the business of a professional accountant for pay; therefore he would have to be registered.

2271. The draft Bill as I understand it applies primarily to those who you might say have relations with the public as general accountants. I am afraid I do not read clause 19 (*b*) as meaning exactly what you suggest it does?—Well, of course, it is always very difficult to interpret an Act of Parliament, and I do not wish to attempt to lay down the law on the subject, but that is how it occurs to us: if you take those two points to which I have referred there is the difficulty I have suggested. A man is holding himself out to the public if he is an applicant for employment.

2272. I think perhaps a similar difficulty of interpretation arises in connection with paragraph **9** of your Memorandum. It seems to me that as the law stands at present it is not legally necessary to employ accountants for the purposes of receiverships, liquidations, trusteeships, and so on, and if registration came into force the position would remain the same. All that would be changed would be that if the persons who had to decide on the appointments desired an accountant they could only engage someone who was registered as such; but there seems to be nothing in the draft Bill of the Incorporated Society to prevent them engaging a solicitor or any other professional man.—The difficulty there again is the difficulty of definition of what is an "accountant". Clause 19 (*a*), for example, says that one must not use any description, even without letters and that sort of thing, implying that one is a professional accountant, or that one is in practice as a professional accountant. If to be a professional accountant means holding oneself out to the public as one able to deal with accounts, then I would suggest that every solicitor, for example, is holding himself out as a professional accountant. I only mention solicitors because I happen to be a solicitor myself. The same remark applies very largely to people who collect rents, who state that they are prepared to collect rents. Then there is the further difficulty, I think, that in the latter part of 19 (*b*) there is some suggestion that the functions might be prescribed by law as having to be exercised by a professional accountant; and when I read the evidence given before this Committee by the Society of Incorporated Accountants and Auditors it rather appeared to me that there was a suggestion—perhaps an underlying suggestion—that certain matters could be definitely delegated to accountants who would be registered. That is not very clear and, to be quite fair, I do not think they claim very exclusive functions; but at the same time there was just that suggestion in parts of the evidence.

2273. In paragraph **12** of the Memorandum you express opposition to Clause 11, Section 3, Sub-section (*d*) of the Incorporated Society's draft Bill, on the ground that it would prevent any person who dealt with accounts from carrying on any other business, and therefore would, for example, prevent legal advisers of members of the Federation from dealing with Income Tax matters without the assistance of an accountant?—Yes.

2274. Is that not a particular rather than a general prohibition, aiming at prohibiting the carrying on of such businesses only as are inconsistent with professional accountancy. That is how I read it?—It is so difficult to say. The clause might be very wide; on the other hand it might be somewhat relaxed; but one is always a little nervous when one finds that one's living might depend on the way in which an Act is interpreted by a body of persons who have practically a discretion as to whether or not they will allow any person to carry on a particular operation.

2275. (*Mr. Kenneth Lee*): You say that your evidence has been prepared by your Company Law Committee?—That was so, in the first place.

2276. Then it was submitted to the Executive Committee?—Yes.

2277. Were the individual members of the Federation consulted?—No, only in this sense; we always find, as I think probably every large body finds, that if one sends out a questionnaire to the whole of one's members, of whom there are some thousands, a good deal of information is not paid attention to; but the Executive, being selected and chosen by all the groups and all the districts of the Federation, have in their personal capacity a very wide knowledge of the conditions prevailing in the different districts and different groups. We have found that on the question of the Income Tax, and on the question of the Companies

Act when it was in Committee, and other matters, that the best views could be obtained in that way, and the Executive have been put in possession of these views, so the Executive are in a position to say: "In one part of the country there is this difficulty and in another part of the country there is another difficulty", and so on.

2278. So this really does represent the views of the Federation?—I think it really does as far as it is possible to do so. It would be really impossible to take the view of every single member.

2279. Do the members of the Federation often consult headquarters in regard to the appointment of accountants?—I am afraid I could not answer that. (*Mr. Hartley*): No, Sir, I have never had an application myself, and it probably would have come to me if there had been one. They ask very often for information as to many other matters, but I have never had an inquiry as to an accountant.

2280. You might say that they know already to whom to go?—I think probably they would be able to find out, and many of them I think have their own appointed accountants.

2281. (*Mr. Scott*): Mr. Cash, referring to paragraph **8** of your Memorandum, I gather that you consider that at present there is a field for two classes of accountants: one class being those at the top of the profession, we will say, with very high qualifications; and the second class, men who do accountancy work of a very modest character but who are doing very useful work so far as the small traders and other types of persons are concerned. As far as the latter are concerned, in your opinion all the accountancy work which they may require is quite efficiently done by men with lesser qualifications?—That is so.

2282. As regards paragraph **11**, is it your definite opinion that there would be a difficulty in fixing a standard for registration in the future; the qualification for registration would either be so high that these lesser qualified accountants would never be able to reach it, or so low that the whole level of accountancy would be brought down?—Yes, that appears to be the dilemma.

2283. In other words, that there would be no benefit really to the public from registration?—I do not think there would.

2284. Is that your opinion?—Yes.

2285. (*Chairman*): Sir Alexander, I do not know if you have anything that you would like to add?—(*Sir Alexander Lawrence*): I agree entirely with what Mr. Cash has said. May I put it definitely in this way. At present there are certain well-known hall-marks of qualification. Most of the public know quite well what is meant by chartered accountant or incorporated accountant; if they do not they can very easily find out. If you introduce some new qualification such as "Registered Accountant", I think there are a very large number of people who might not pick and choose between them. In the nature of things you could not put the standard for this new hall-mark as high as that of some of the existing standards, and I think the smaller people would tend to think from the mere fact that a man was a registered accountant that they were employing a more highly qualified man than they were really getting.

2286. What you mean is that if there was a system of registration there would still be a need on the part of the public for discrimination?—Yes.

2287. As there is now before registration has been set up?—Yes; and a need for discrimination in this way; people would tend to be confused between the different classes of qualifications. At present they know that certain people have certain qualifications and others have none, they just undertake certain work.

2288. Quite.—(*Mr. Cash*): There is one other thing, my Lord, which I might mention. I appreciate, of course, the difficulty which has been found in Parliament in relation to the various local Bills; but, of course, the provision which has been adopted as regards, say, gas and water companies is in more or less the form of a model clause, where the auditors have either to be members of the Chartered Institute or else members of the Society of Incorporated Accountants and Auditors, or some one approved by the Board of Trade. That approval by the Board of Trade, of course, does give a loophole to a man who is a very highly qualified man perhaps but is not a member of either of those societies. Something of that nature to some extent I think might perhaps meet the difficulty. I know the trouble that has arisen in local legislation.

(*The Witnesses withdrew.*)

MR. E. R. COOK (*Secretary*), representing the Law Society, called.

The Committee had before them the following Memorandum by Mr. Cook:—

MEMORANDUM No. 49.

1. In your letter of the 2nd April, you referred particularly to the fact that the Departmental Committee thought that possibly Provincial Law Societies would know whether there were any cases in which small traders, and possibly persons of small means, have suffered as a result of employing unqualified or partially qualified accountants, and if so they would be able to give examples. You asked me, therefore, to communicate with the Provincial Law Societies with the object of securing this information. Your letter of the 2nd April was submitted to the Council of this Society, when they authorised me to circularise the Provincial Law Societies with the object of securing the information the Committee required, and if possible, also, of securing evidence at all events of one witness from the Provinces to deal with the main question referred to the Committee as to the desirability of establishing a register of Accountants, as well as the particular point mentioned above.

2. There are 86 Provincial Law Societies, and I sent a circular letter, in the form referred to, to each of them. The response has been as follows. There have been eighteen replies. The following seven Societies—Dewsbury, Sunderland, Bristol, Bournemouth, Birmingham, Grimsby and Keighley—state that they have no information as to the incompetence of persons calling themselves accountants, who, though unqualified, purport to do accountant's work. One Society—Sheffield—expressed the opinion that there is no public demand for the registration of accountants; two Societies—Warwickshire and Hampshire—state that they have no general opinion, but each enclose a letter from a member, which indicates some general possibility that some such incompetence exists. Four Societies—Huddersfield, Bridgend, Isle of Wight and Swansea—are generally in favour of registration. Two Societies—Blackpool and Bolton—declare themselves without any particular information, but are inclined to favour registration.

One Society—South East Surrey—reports one case of incompetence by an accountant. In addition to these, I have a private letter from the Secretary of the Lincoln Society offering to give evidence as to some cases within his knowledge of incompetence in one or two particular instances.

3. I ought to say in addition to all this that a considerable number of the Provincial Law Societies have associated themselves together in an organisation under the name of the Associated Provincial Law Societies. The Association held a meeting on the 9th May when your letters were considered and it was explained that evidence would be tendered if concrete instances could be given of any loss sustained by any members of the public through the act or neglect of incompetent persons purporting to act as accountants. Mention was made at the meeting of certain persons who called themselves accountants, who were without any special qualifications. There seems to have been a certain amount of discussion, but eventually the Association proceeded to the next business, no resolution having been proposed.

4. I am afraid that your Committee will not be able to draw any very definite conclusions from these replies, particularly in view of the fact that there are only 18 out of 86, and that therefore 68 Societies have not replied at all.

5. So far as this Society is concerned, I have not been able to elicit any definite opinion that any large amount of incompetence exists amongst those professing to practise accountancy, and I should be disposed to the view that the Council of this Society would only wish to urge that, whatever recommendations the Departmental Committee make, they should be careful not to lose sight of the fact that Solicitors keep and audit Trust Accounts, which, as trained Lawyers, they are more competent than anyone else to do, and that accordingly their powers and rights to do this should be very carefully reserved.

6th June, 1930.

MR. E. R. COOK examined.*

2289. (*Chairman*): We are very much indebted to the Law Society for the assistance which they are giving us to-day. I do not know whether you would like to add to your Memorandum before we ask you questions?—You are referring to the letter I wrote to your Secretary on the 6th June?

2290. Yes.—He asked me to secure if I could further information as to the four cases to which the Societies had referred. The result has been a letter from Mr. —— who is a solicitor at —— complaining about one individual who calls himself an ——. Then I received a letter from the —— Society complaining about a Mr. —— who described himself also as an —— accountant. If you would like it I would hand these letters in or I would read them.

2291. If you please.—The first is from the Secretary of the —— Society:—"Mr. ——, describing himself as "——, Accountant", of —— was engaged by a client of mine in January, 1929, to prepare the accounts of his (the Client's) late father's business (of which the Client was Executor) and the Return for Schedule D Tax for the year 1928–29. The Inspector of Taxes had rendered a demand for £26 for Schedule D Tax for the part year 1928–29 to the date of death, and this, Mr. —— assured me and my Client he could get substantially reduced or entirely discharged when he had prepared and furnished the Inspector with certified figures. This was in January, 1929. In April, 1929, he rendered an account to my Client for his services rendered for £6 6*s.*, which included a charge for obtaining the Inspector's agreement to discharge the £26 assessment. My Client paid this fee on the understanding that Mr. —— had settled or was in process of settling the discharge of the claim. However, on the 16th May, 1929, he received notice to appear on the 31st of that month before the Commissioners in support of an objection he had lodged to the assessment. My Client was, of course, greatly surprised to receive this notice and on enquiring of the Inspector it appeared that Mr. —— had not come to any settlement and had rendered no proper accounts. He promised, however, to do so before the date of hearing, but on the day before the hearing it was ascertained he had not done so and that it would be necessary for my Client to appear on the following day. He instructed me at a few hours' notice to appear before the Commissioners, which I did, and explained that my Client had been let down badly by Mr. —— and required further time to prepare the accounts, which was granted. Mr. —— was present and took no exception to my remarks on his conduct; and in fact profusely apologised to me and my Client for the trouble he had given by his neglect. He produced some accounts which he said he would render at once to the Inspector and promised to pay my fee of £2 2*s.* for my attendance and in connection with the matter. The accounts prepared by Mr. —— proved to be quite unsatisfactory and such that the Inspector could not accept, and finally my Client had to engage other assistance to prepare proper accounts. I may add that my fee has not been paid by Mr. ——, although he subsequently made numerous promises both by letter and on the telephone that he would pay it at once or within a short time. So late as December last he wrote me that he was about to obtain financial assistance and would settle my fee shortly. Mr. ——'s neglect naturally caused great trouble and worry both to my Client and myself and the numerous promises he made to settle the claim with the Inspector or render satisfactory accounts were never fulfilled.

"Perhaps it is fair to add that I have learned that Mr. —— sustained a serious injury to his head in the War and this may possibly account for his unreliability."

The other letter is from Mr. —— of ——, Clerk to the Commissioners of Taxes, —— Division:—

"I am afraid I am not at liberty to give you any names or details as matters coming before the Income Tax Commissioners are, as you are aware, confidential.

"I can, however, state that, as regards one particular accountant, appellants, in the course of stating their cases to the Commissioners, informed them that—

(1) They had paid fees to this accountant on his statement to them that he had prepared their accounts and submitted them to the Inspector when, in fact, no accounts whatever had been prepared or submitted to the Inspector.

(2) They had paid him fees in the expectation that he would appear with them to assist them in conducting their cases and he had not done so.

(3) One appellant stated that he had sent his books to this accountant and had been unable to get them back. If I recollect rightly he said that he had eventually got them back with the assistance of the police.

"The Inspector of Taxes also complained that in some cases in which accounts had been rendered to him by this accountant figures, which were *obviously* incorrect, appeared therein.

"My Commissioners felt that it was very detrimental to the public that persons of this kind should be permitted to take money from honest, but somewhat ill-educated, people, on the representation that they had done work, which, in fact, had not been carried out, and that, quite apart from the loss suffered

* Where names, etc. are left blank, details were given in full, confidentially, to the Committee.

by the individual appellant, this kind of person caused a great deal of waste of time, both to the Commissioners and to H.M. Inspector.

"If you mention this matter to the Committee you will, no doubt, first refresh your memory with reference to the exact provisions of Section 137 of the Income Tax Act, 1918, but you will observe that this section does not really touch the abuse. It simply gives a statutory right of audience to a particular class of accountant, but it does not either prevent the Commissioners hearing any other accountant or prevent other accountants taking fees from appellants for preparing their accounts and submitting them to the Inspector.

"P.S.—This particular person prints the letters '——' after his name and calls himself a '——'."

I have a note here of Section 137, but no doubt you are familiar with it.

As regards the third case, the informant is reluctant to give more definite particulars so that is not much good. The last case is from ——. I received a letter from Mr. —— yesterday morning saying he was going to write last night and that I should get the letter this morning, but unfortunately it has not arrived. This is his earlier letter:—

"I am in receipt of your letter of the 14th instant, enclosing print of certain correspondence herein. I should like to bring this before my Committee, but it will be at least a fortnight before I shall have the opportunity of doing this.

"In the meantime, I am venturing to put before you my own personal views on the matter, and if you think that these will be of any service to you, by all means make use of them. If you think that any evidence that I could give would be of any avail to the Committee now sitting on the subject, I could give it by all means.

"My experience is that there is a certain class of people, self-styled 'Accountants', who possibly fulfil a useful function, particularly in dealing with questions of Income Tax for small people and collection of debts. The vast majority of these 'Accountants' are perfectly honest and quite competent to undertake the class of work with which they deal. There is, however, a minority amongst them who are not, I consider, competent and who are in consequence a danger to the community, particularly to the uneducated or semi-educated classes, to whom the difference between the style of 'Chartered Accountant', 'Incorporated Accountant' and mere 'Accountant' conveys nothing. The fact of the attachment of the word 'Accountant' implies to these classes of the public that the individual so styling himself is a suitable person for employment on jobs of work which involve figures.

"The only instance that I can quote off-hand in which the employers of such an 'Accountant' suffered was in a bankruptcy case. Here a local 'Accountant' (of the minority class referred to above) was appointed Trustee in a small bankruptcy by the majority of the creditors of the Bankrupt Estate. The administration by the Accountant-Trustee was at fault, and he was eventually attached and committed to prison by the County Court Judge here for failure to produce accounts, etc. The creditors in consequence suffered an appreciable loss. Here, undoubtedly, the use of the word 'Accountant' led the creditors to make the appointment.

"In certain other directions the employment by tradesmen of these self-styled 'Accountants' of the minority class mentioned above may involve hardship upon the debtors whom they are pressing for the discharge of debts. It undoubtedly leads to a number of the prosecutions carried out by the Law Society for posing as a Solicitor or kindred offences. These are mostly due to ignorance, but a professional man who is an admitted member of a profession which requires definite qualifications cannot afford to be ignorant on points like these. This aspect of the matter could be amplified considerably, if necessary or thought advisable."

I would like to say that, coming from Mr. ——, this letter is certainly worthy of consideration, if I may say so. I do not suppose he could give any evidence in addition to that, but I have no doubt that if the Committee desire to see him, he would be willing to come.

The letters I have read are in addition to those mentioned in the summary in my Memorandum. We wrote to the 86 Provincial Law Societies.

2292. And only 18 replied?—Yes.

2293. There was a meeting of the Associated Provincial Law Societies on the 9th May, was there not?—Yes.

2294. At which the question of registration of accountants was discussed?—Yes.

2295. But no resolution was passed?—No. It seemed rather difficult to induce them to take any very profound interest in it.

2296. You tell us that solicitors keep and audit trust accounts?—Yes.

2297. Would this be the only branch of accountancy work undertaken by solicitors in England and Wales?—Yes, my Lord; solicitors do not do any auditing. I should like, in this connection, to say that I have had the privilege of seeing the Memorandum of the Society of Writers to the Signet on what they call the Remit to your Committee. The Deputy Convener came to see me, and handed me this document, which I have read. I do not know whether the Society have given evidence before you, but if they have you are familiar with their views.

2298. Yes.—I have read their Memorandum and I would like to adopt it almost verbatim as part of my evidence. It seems to me precisely to express what I would like to say. I would like to read out one or two paragraphs—they are very short.

2299. Yes, please.—"It is understood that the Scottish Chartered Accountants themselves have given full details as to these matters, but it may be said on behalf of the Society of Writers to the Signet that the training of Chartered Accountants in Scotland is considered to be on a high standard, and they are looked upon as a thoroughly efficient body. A large proportion of the work done by Chartered Accountants in Scotland is in auditing the books of companies, trusts, estates and individuals. So far as the Society of Writers to the Signet is concerned, the experience is that their work is well and satisfactorily done, and their professional status and conduct have given satisfaction to members of the Society and to their clients. No difficulty has been found owing to the fact that a certain limited number of outside accountants do auditing, mostly, it is believed, of a minor character." That I would adopt, subject to the evidence I have just given.

"The other work of accountants—namely, that of account keeping—is in a somewhat different position. No doubt accountants are employed in the keeping of accounts for companies, trusts, estates and others, and in many cases those so employed are Chartered Accountants. At the same time the accounting staff in most businesses must contain a number of men doing what might be deemed accountants' work who are not passed Chartered Accountants. A large proportion of the work of Writers to the Signet and other practising solicitors in Scotland is to keep the accounts of trusts and of personal clients, and to do the whole accounting work in connection therewith. It is not part of the arrangement that either the partners in firms or the members of their accounting staffs, often men of great experience and ability, should be Chartered Accountants, and indeed it is almost unknown that they should be so. The accounts so kept by practising solicitors in Scotland are frequently audited by Chartered Accountants."

I would add that the legal profession in England has for many years regarded a knowledge of bookkeeping as essential; and, unlike in Scotland where those holding a University degree are exempt from

bookkeeping, all our students must pass in trust accounts and bookkeeping before they are admitted solicitors.

"To a small extent Writers to the Signet audit accounts of others, but it is believed that that may be treated as a negligible quantity."

I would say so also as to England.

"It appears to the Society that there is no need, for the protection of the public, to change the arrangements under which accounting work is done. Any attempt to insist on all persons doing accounting work being registered, and to exclude all not so registered from doing accounting work, would interfere very much with the work of Writers to the Signet and other practising solicitors, unless the definition of accounting work was such as to exclude all the accounting work now usually done for clients. Such a definition would be well-nigh impracticable."

Every word of this I desire to repeat.

"If, on the other hand, a rule was made by legislation that all who now do accounting work should be registered or lose their rights, that would apparently bring in a large number of people, some skilled and really qualified, but many not so, and in the end this might lower the prestige of the accounting profession. Further, existing members of the legal profession might be brought in and future members excluded."

I desire, if I may, to repeat those views.

(*The Witness withdrew.*)

MR. C. H. NEWTON (*Chief Accountant, London and North Eastern Railway*), representing the Railway Companies' Association, called.

The Committee had before them the following Memorandum by Mr. C. H. Newton:—

MEMORANDUM No. 50.

1. I am Chief Accountant of the London and North Eastern Railway Company. I have had over thirty-two years experience in railway accountancy. After nineteen years service with the Great Western Railway Company, I resigned to take up the position of Assistant to the Comptroller of the Great Eastern Railway Company, subsequently being appointed Assistant Accountant and later Chief Accountant of that Company. On the amalgamation of railways in 1923, I became Assistant Accountant of the London and North Eastern Railway; I was appointed to my present position on 1st June, 1928.

In addition to my position as Chief Accountant of the London and North Eastern Railway, I am Accountant of several Joint Railway Committees and am Secretary and Accountant of a limited liability Company. I also audit the accounts of a number of Joint Railway Committees and limited liability Companies, a Savings Bank and Superannuation, etc., Funds.

2. I have been deputed to give evidence on behalf of the Railway Companies' Association as it is considered that the terms of reference to the Departmental Committee affect vitally the prospects and status of Railway Accountants and their staffs.

3. The work performed by Railway Accountants, it is submitted, is of a highly technical nature, and covers such a wide field, and such diversity of operation that the degree of skill and knowledge required is not only in every way equal to that of Professional Accountants in public practice, but demands special and particular training and experience.

The form of accounts of a railway is prescribed by the Railway Companies (Accounts and Returns) Act, 1911. Not only the form is determined, but the details which make up the individual accounts are governed by statutory regulations of the Ministry of Transport. It will be seen, therefore, that the compilation of railway accounts requires expert knowledge in every detail. In further evidence of this it may be stated the Auditors appointed by the Shareholders find it necessary to allocate staff specially for the work of auditing Railway Companies' Accounts.

4. Railway Accountancy embraces very comprehensive and highly specialised systems of bookkeeping, also such intricate work as the costing of individual parts and processes required in the manufacture, renewal and repair of Locomotives, Carriages, Wagons, Permanent Way, Bridges, etc.

In connection with businesses ancillary to a railway, the accounts cover a very wide range of operations embracing the working of Steamship services, Docks, Harbours and Wharves, Canals, Hotels, Refreshment Rooms and Restaurant Cars, Road Transport, Electric Light and Power Stations, Coal and Oil Gas Works, etc., etc. Each of these groups is made up of a large number of individual units which require separate accounting and control.

5. In addition to the working of the Railway and its ancillary businesses Railway Companies have extensive financial interests in, and working arrangements with, many outside undertakings whose various operations are very diverse in character. These holdings and working arrangements frequently involve investigations into, and reports upon, the financial position of the undertakings concerned, a duty which devolves upon the Railway Accountants and their assistants.

6. The development of through bookings of passengers and goods between this country and the Continent and the settlements of accounts with foreign Agents and Railway Companies involves a knowledge of the principles of exchange and of the financial arrangements of the Railway Companies in the various countries affected.

7. The magnitude and complexity of a Railway Company's operations render the work in connection with Income Tax assessments highly important and involved and necessitate a thorough study of Income Tax practice and law.

8. Apart from ordinary accounting routine the Railway Accountants, in the course of their duties, require to have a comprehensive knowledge of agreements relating to Joint railways, stations and junctions, working arrangements with other Companies and Parties, Traffic Pools, Settlements, etc. These matters are often of a very involved character and many years of application and experience are necessary in order to acquire a thorough knowledge of the arrangements in operation.

9. Rating of Railways and ancillary businesses is another very important phase of Railway Accountants' duties and they are, at times, required to prepare elaborate data in connection with rating cases, and to give expert evidence in court.

10. Railway Accountants are also called upon to give expert evidence before such bodies as:—

The Railway Rates Tribunal;
The Railway Rates Advisory Committee;
The Railway and Canal Commission;
Parliamentary Committees;
Law Courts; and
Arbitration Courts.

11. In addition to the financial accounts, Railway Accountants are responsible, under statutory requirements, for the preparation of voluminous statistical information for publication in the annual accounts of the Companies and for submission to the Ministry of Transport. Considerable additional statistical data is also required for domestic purposes. The compilation of the statistical information necessitates specialised knowledge.

12. Dealing with the very large staff employed in Railway Accountants' Offices it may be stated that it has always been a tradition that each new entrant into the Railway Service is a candidate for the highest office and that the training and experience made available for him in the various branches of the Accountants Department can equip him for the discharge of the duties of that principal office.

13. There is a danger that any scheme of registration involving a system of articles and examination would limit the selection for the higher posts in the Railway Accountants Offices to those few who in their early years of service (when it was impossible definitely to judge their suitability for high administrative posts in later life) had the privilege of articles and were successful in passing the necessary examinations.

If such is the intention of any system of registration then probably 95 per cent. of the staff would be "clerks" and the remaining 5 per cent. "accountants". This it is feared would have a damaging effect upon the morale of the staff, and would seriously prejudice the exercise of that individual initiative which is obviously of the highest importance to the Company as well as to the individuals concerned.

14. The Directors of Railway Companies often deem it necessary, in order to protect their financial interests, that the Chief Accountant, with his specialised knowledge, should be one of the Official Auditors of subsidiary businesses in which they invest their Capital, such as Omnibus Companies, Canal Companies, etc. If the Accountants of Railway Companies were excluded from the Register of Accountants, that could probably no longer be done.

15. The Railway Companies' Association consider that although, in principle, no objection can be raised to registration as applied to individuals in public practice as professional accountants, no scheme should be brought into operation that excludes from registration high administrative officials such as Chief Accountants of Railways and their principal assistants. It is considered that registration of Railway Accountants and their principal assistants should follow as a matter of course upon appointment to office by the Directors.

In this connection it may be pointed out that as the result of the amalgamation of railways in 1923, the number of persons holding positions as Principal Accounting Officers of Railway Companies has been materially reduced.

16. The Railway Companies' Association submit that in any Bill dealing with the Registration of Accountants the Railway Accountants' interests should be protected.

23rd June, 1930.

MR. C. H. NEWTON examined.

2300. (*Chairman*): Mr. Newton, have you anything you would like to add to your written evidence?—I think, my Lord, there is very little that I would like to add. No doubt the fact is well known to the Committee that the Railway Companies I represent have a very large interest, with a capital of over 1,200 millions and an annual turnover of 208 millions. I would also mention that the purport of my Memorandum is to show that the duties of the railway accountant are so wide that he covers vastly more than the mere entry of figures into books in relation to railway working; in fact he covers almost every branch of accountancy. He obtains experience which in many ways is equivalent to that of public accountants; the only difference is that he does a variety of work for one client, whereas the public accountant does a variety of work for many clients; otherwise I consider that the experience obtained by the railway accountant is in every way analogous; and I have set out the various duties the railway accountant performs. I think that is all I wish to say.

2301. I take it you do not desire to give any evidence as to the desirability of registration, but that your object is to try to secure the interests of railway accountants in the event of registration taking place?—That is so. We are quite indifferent as regards registration. We think the position is all right at present; but consider that, if registration comes along, the interests of railway accountants should be protected.

2302. Would you turn to paragraph **15** of your Memorandum: you consider that the chief accountants of railways and their principal assistants should be placed on the register, if there should be a register, automatically on receiving their appointments?—Exactly.

2303. What exactly are principal assistants?—Principal assistants would be the assistant accountants, assistants to the accountant, and in the case of companies where there is area organisation I think it would be necessary to bring in divisional accountants, because the duties of a divisional accountant to-day are greater and in some cases more responsible than those of the accountants of the old companies.

2304. Would there be a large number of them?—There would be three divisional accountants in the case of the London and North Eastern Railway; most of the other companies have no area organisation, but they would have assistant accountants.

2305. You say that an accountant in a railway company has to be competent in all branches of accountancy?—Well, he has to pass a long period under fire; he does not obtain his position until he has been in the railway company for a long while, and he is selected for the position by a large board of directors.

2306. He must be experienced in all branches of accountancy?—In all branches of accountancy. In the course of his duties he touches upon almost everything.

2307. His knowledge and experience would be as wide as that of any of the members of the well-known societies of accountants?—That is so, because he has to do the same things. He frequently has to investigate the accounts of all sorts of undertakings.

2308. Is the experience of a railway accountant accepted by the older societies as a qualification for membership?—Not now.

2309. Was it?—In the early days I think railway accounting experience was accepted by one or two societies, but it is not generally recognised now.

2310. Are there a very large number of persons engaged in railway accountancy?—Yes, a very large number. In the case of my own office, I have a staff of 2,750. As to the other companies, the Great Western has a much smaller number, 686; the Southern Railway has 938; and the London, Midland and Scottish, which is the next largest to ours, has 2,456.

2311. When you say "my own office", what exactly does that mean?—I mean under my control. I have, of course, divisional offices.

2312. That is what I mean.—We have all sorts of branches: there are divisional accountants, locomotive accountants, hotel accountants and so on; but they all come under my direct control.

2313. And they are included in the numbers you have given?—Yes; as regards the London and North Eastern Company that would represent the staff under my control.

2314. That is practically the staff of the company?—The accountant's staff. There would be a few exceptions: some of the departments have their own accountants.

2315. But speaking generally?—Speaking generally, that is the accounting staff of the company.

2316. (*Mr. Bellman*): Mr. Newton, in one of your answers to my Lord Chairman, you suggested that the railway accountant, having undergone a long period under fire, acquired a knowledge of all phases of accountancy. Where, for instance, would he get his knowledge of partnership law and accounts, executorship law and bankruptcy law?—Many of these things he comes in contact with incidentally; partnership accounts and things of that nature, that is more a matter of bookkeeping. As to executorship law, I agree that, generally speaking, he would not come in contact with that. There would be a few exceptions like that, but in the general run of his duty he has to deal with almost every branch of accountancy business. There may be a claim against a company for damage, which involves the accountant reporting upon the financial position of some firm. Or a company may be acquiring an interest in a road transport undertaking for example; there again the railway accountant comes into it, and he makes the investigation and reports.

2317. Would he touch receiverships in bankruptcy?—He has considerable connection with bankruptcy matters because he has to control all the bad debt cases; he would not actually keep the books in connection with bankruptcy but he has to watch the whole thing. The accountants are responsible for looking after all the bad debts and clearance.

2318. Where would he touch liquidation work?—I have had personal experience of liquidation work where we have had financial interest in concerns, and it has been my duty to investigate the clearance and to go through the whole of the liquidation accounts; I did that recently in connection with a firm in Holland where we had financial interests; there I verified every detail of the accounts.

2319. You spoke of taking over road transport companies?—Yes.

2320. Is that work done by the railway accountants?—Yes.

2321. It is not done by an independent firm of accountants?—Oh no, that is usually done by the railway accountants. Quite recently we have had to investigate a very large number of road transport companies; we go through the whole of the books, and submit a complete report on their financial position, including an estimate as to the value of their undertaking.

2322. (*Mr. Branson*): You say in paragraph **15** of your Memorandum that after the amalgamation of railways in 1923 the railway accountancy staff was materially reduced?—Yes, it would be substantially reduced as regards the staff; of course, there would be an overlapping, but my principal point was that before the amalgamation there was a very large number of individual companies, each having its chief accountant.

2323. Have you any idea of what became of the staff that was rendered surplus?—Many of them were retired; after they reached the age of 60, they were retired. Natural wastage has also accounted for a large number.

2324. Would you say that to an appreciable extent railway accountants pass out into general practice on retirement?—I should say not. A railway accountant does not retire usually till he is sixty or sixty-five. He has a pension then, and he does not as a rule feel it worth while to take up anything else.

(*The Witness withdrew.*)

MR. F. BUCKINGHAM (*Chairman of the Executive Council*), MR. A. J. C. EDWARDS, F.I.A. (*Vice-Chairman of the Executive Council*) and MR. H. E. DENNY (*Deputy General Secretary*), representing the Society of Civil Servants (Executive, Directing and Analogous Grades), called.

The Committee had before them the following Memorandum by the Society of Civil Servants:—

MEMORANDUM No. 51.

1. The Society is a national organisation of Civil Servants some 8,000 strong, representative mainly of grades which share, with Administrative grades and others, the responsibility for the organisation direction and execution of the business of Government.

2. It represents the whole of the general Executive Class, which is the second in importance of the general classes set up in 1920 in accordance with the recommendations of the Reorganisation Committee of the National Whitley Council for the Administrative and Legal Departments of the Civil Service. Its membership in this Class extends from the Training Grade (on a basic salary scale of £100–400) to officers in higher ranges of the class on basic scales of £750–850, £850–1,000 and above.

3. It also represents various analogous grades which are classified by the Treasury as "Other" Executive. Among these are the Controlling grades in the Customs and Excise Department, the Executive grades in the Supply and Accounting Departments of the Admiralty, the Auditor grades in the Exchequer and Audit Department, Examiners in the Companies and Bankruptcy (High Court) Departments of the Board of Trade, Auditors in the County Courts (Headquarters) Branch of the Lord Chancellor's Department, and the considerable number of officers in what are termed "clerical establishments" who occupy posts carrying basic scales of £400–500, £500–600, £550–700 and upwards.

4. In Section C of their report dated the 17th of February, 1920, under the heading "The Executive Class", the Reorganisation Committee stated:—

> "To this Class we would assign the higher work of Supply and Accounting Departments and of other executive or specialised branches of the Civil Service. This work covers a wide field, and

requires in different degrees qualities of judgment, initiative and resource. In the junior ranks it comprises the critical examination of particular cases of lesser importance not clearly within the scope of approved regulations or general decisions, initial investigations into matters of higher importance, and the immediate direction of small blocks of business. In its upper ranges it is concerned with matters of internal organisation and control with the settlement of broad questions arising out of business in hand or in contemplation, and with the responsible conduct of important operations."

"We are of opinion that, in so far as it may be desirable to appoint men from outside the Service to the staffs of these Departments and branches, recruitment should be by open, competitive, written examination between the ages of 18 and 19. The syllabus of examination should be framed with reference to the standard of development reached at the end of a secondary school course."

The work in the various Government Departments has been regraded in broad conformity with the terms of the report and the system of recruitment by open, written competitive examination between the ages of 18 and 19 has been established, the syllabus being framed to suit candidates who have completed a full course of secondary school work. The first such examination was held in October, 1928, and the second in April, 1930.

5. The membership of the Society includes the staffs employed on the responsible work in the Accounting and Supply Divisions of all the large and most of the small Government Departments.

6. In addition to the Accounting work within the Government Service, members of the Society are engaged on audit work in the Exchequer and Audit Department, the National Insurance Audit Department, the Army Audit and Contracts Branch of the War Office and the India Audit Office, on cost accounting and audit work in the Forestry Commission, on cost accounting in the Royal Mint and the Accountant General's and Engineer-in-Chief's Departments of the Post Office, on such specialised work as the Stamp Duties, Income Tax and Surtax in the Inland Revenue, the examiners' duties in the Companies and Bankruptcy (High Court) Departments of the Board of Trade, the examination of the accounts of Trade Unions, Industrial and Provident Societies, Societies registered under the Friendly Societies Acts, Building Societies and Industrial Assurance Companies in the office of the Registrar of Friendly Societies and of endowed charities in the Charity Commission, the control of drawbacks in the Customs and Excise, the financial criticism of applications from Local Authorities for sanction for loans with reference to their existing commitments and repayment terms proposed in the Ministry of Health, the administration of grants from the Road Fund in the Ministry of Transport, including the critical examination of financial provision for the work, plans and estimates, acquisition of land and contributions from frontagers benefiting from the schemes.

7. In three offices only in the Government Service, so far as the Society has been able to trace, are qualified accountants recruited and in these cases the work is of a special type in which commercial accounting experience is of particular value. In the Accountancy Division of the Contract and Purchase Department of the Admiralty there is a staff of 10 Accountants employed on the examination of actual costs of various Admiralty Contracts, in the Army Contracts Branch of the War Office a staff of 3 are similarly employed on War Office contracts, and in the Inland Revenue there is a staff of 20 Accountants attached to the Secretariat employed on the special investigation of the accounts of particular firms or undertakings, which is sometimes necessary for revenue purposes.

8. With these exceptions, the work within the Government Service which is in any way parallel with the various duties undertaken by professional accountants outside the Service is done successfully by staffs recruited as already indicated at the normal school leaving age following a full secondary course of education. It should be added that the system of open written competitive examination which has been in force for so many years for the recruitment of the Government Service yields a very high average level of ability; the examinations generally attract many more qualified candidates than there are vacancies to be filled and the appointments subject to the medical examination proving satisfactory are made in the order of success achieved in the written examination.

9. On entry into the Service, the recruit to the Executive Class is subject to a probationary period not exceeding two years, and if the appointment is then confirmed continues to serve in the Training Grade of the Class for a normal term of about twelve years in all. During this period the practical experience and knowledge acquired by employment on the work of the Department is supplemented where necessary by departmental and extra departmental courses of instruction suited to the peculiar needs of the Department.

10. The Society holds that this system of recruitment yields a much better average quality of staff than any system of purely qualifying examinations can be expected to do, and the members therefore would be strongly opposed to any alteration in this system of recruitment for the various specialised accountancy audit and finance work within the Government Service.

11. The system of accounting employed in the various Government Departments necessarily differs in some respects from commercial accounting. Such differences are due mainly to the fact that the system within the Government Departments is directly related to the form in which control of the public revenues and expenditure is exercised by Parliament.

12. The Society is of opinion that persons employed in Government Departments on accounting, auditing and specialised finance work should be omitted from any Register of Accountants that may be instituted and that provision should be made accordingly in any Bill introduced into Parliament.

13. It has been the practice of some of the various Associations of Accountants including the Society of Incorporated Accountants and Auditors to admit Civil Servants to their examinations accepting experience on accountancy or audit work in the Civil Service in lieu of outside professional experience or of service under articles. It appears to the Society desirable that this position should be maintained and that individual Civil Servants with the necessary qualifying experience within the Government service should, if they so desire, be able to test their specialised knowledge by the examinations of the various Accountants Societies. It is not anticipated that many Civil Servants will desire to pursue this course, but it is felt that, for those who desire it, the door should be left open.

21st *June*, 1930.

MR. F. BUCKINGHAM, MR. A. J. C. EDWARDS and MR. H. E. DENNY examined.

2325. (*Chairman*): Is there anything you would like to add to the Memorandum you have submitted?—(*Mr. Buckingham*): There is not a great deal that I have to add, but I think there are perhaps a few words which might explain our position a little more clearly.

2326. If you please?—I think probably your Committee quite realise from our Memorandum that we are not in any way concerned with the first part of your Terms of Reference. It is only in the event of your deciding that registration is desirable and should be carried out that we are concerned; and we are

concerned simply with those members of our Society in the Civil Service who are called accountants or deputy accountants or assistant accountants or auditors or assistant auditors, and so forth. In that event, in our Memorandum we submit, I think it is in paragraph **12**, that Civil Servants engaged on such duties should be excluded from any registration in any Bill that may happen to be brought forward. Our reasons really for that are that we gather that, from the accountants' point of view at any rate, the reasons in favour of registration are three; that is to say, the protection of the public, the education of the accountants, from both a vocational and general point of view, and discipline. So far as the protection of the public is concerned, I suggest that it does not arise so far as Civil Servants are concerned, because they are not in public practice and so far as the protection of the public is required, I take it that if they do not misbehave themselves so far as accountancy is concerned, it does not arise—leaving out of account other things of course. As regards education, their general education is determined by their coming in through competitive examinations, and so far as the professional side is concerned, that is learnt in the office. They are, we will say in the first place, people who have some kind of figuring ability. There are certain people, you know, who cannot do figures at all, but such persons do not enter the Service as accountants as a rule, and it is an accident that they go into a branch of an office where accounts are dealt with. They are then classed with accountants, perhaps not at first, but later on, when they have done more than the elementary work. But it is an accident as to whether they do not go into some other branch. So I think that, so far as the educational point is concerned, the Civil Service is not concerned. As regards discipline I think that is quite adequately provided for in other directions also. In fact it has been said I think quite recently before the Royal Commission on the Civil Service that the discipline of the Service is quite equal to that in other spheres. We conclude, therefore, that the reasons put forward as to the desirability of the registration of accountants do not apply in the case of Civil Servants.

2327. You are suggesting that persons employed in Government Departments should be omitted?—Yes; that any registration should exclude Civil Servants. Perhaps I might forestall a question: I see from what has been said before at this Committee that a suggestion has been made that if there were registration everybody at present practising should go on, but that afterwards there should be examinations and so forth. If I were asked whether that would meet our case I would say, no; because we have in the Service now people who are Executive Officers, who are doing perhaps the earlier part of accountancy work, perhaps a particular branch, and their course of advancement to the grade above them is to a grade called assistant accountant. Of course certain Societies would not take them in any case. Some are willing to take them and allow them to work for the final examination, but some will not. But they are getting in the office the expert knowledge that they require, and when they get their promotion we think they should not be excluded from anything that might offer itself outside.

2328. You are suggesting that registration should not prevent a Civil Servant from obtaining outside qualifications. In paragraph **13** you refer to that matter?—Yes. We suggest that if Civil Servants desire to take the examinations they should not be prevented from doing so. There is only one society I think—one of the largest societies—that permits that at present. There are very few concerned, but if there are any who wish to become members of that society we should not like to see them prevented from doing so.

2329. Supposing that the members of that society were put on the register, you would not wish the Civil Servants who were members to be excluded from the register?—No; the exclusion would be that it would not refer to Civil Servants as Civil Servants.

2330. May I put it in this way: supposing, although they were Civil Servants, they were members of a society and it was decided that the members of that society would be put on the register, they would go on the register as members of the society?—Yes; they should be eligible to be registered accountants if they desired. There are a few who are interested in that kind of thing.

2331. Are there many who belong to the societies?—I know one who wants to belong. I think I can say that. (*Mr. Denny*): There are one or two offices where it is desirable to have two or three accountants holding full qualifications. The Registry of Friendly Societies is a case in point. They can then put up a man from inside the office who possesses the qualification of an accountant already. One would not wish to prevent Service accountants from being members of outside societies. The present system is very convenient. I take it that if anything in the nature of a registration were set up it would mean that our present practice would be incorporated. The Civil Service Committee of the Incorporated Society considers applications from Civil Servants, and if they are satisfied that their experience is essentially accounting work, and their Office or Department is prepared to certify that, they permit them to sit for the examinations; but they are not put on the practising list; that is to say they are dormant—non-practising. The maintenance of this arrangement would meet our wishes entirely. May I deal with a further point?

2332. Certainly.—I think we have given you an indication in our Memorandum of the diversity, shall we say, of the accountants' work in Government Departments. There is another side of it, and that is this: that in quite a number of Government Departments we are virtually the specialists in particular sections of work which accountants are interested in. We are, so to speak, the opposite number of accountants in those cases, just as in other cases we are the opposite numbers of solicitors, and so on. That, of course, is highly specialised work, and it is essentially a case where the Civil Servant, in responsible positions at least, is the expert. That is essential in such cases, shall I say, as the Bankruptcy Department of the Board of Trade, also in certain sections of the Revenue Department. It would apply in a number of cases. Then there is another feature that I would like to speak about: that is that, on the Vote side, the Civil Service accountant's work is necessarily different from accountancy outside. The whole form and system of Government accountancy is dependent upon the form and system in which the House of Commons votes the expenditure of the Revenue; and that makes Civil Service accountancy distinct from the outside accountancy, and he is in that respect a specialist. In fact there is no parallel to it outside as far as I know. We have referred to that in the Memorandum. We may take the case of costing in the Forestry Commission, where they have to devise a system of costing which will operate for eighty years. I do not know that there is any parallel to that, but I can certainly give that as an instance of a specialist system that obtains in a Government Department.

(*The Witnesses withdrew.*)

The Committee took note of the following Memoranda :—

MEMORANDUM No. 52.

By H.M. Treasury.

1. The duties of the Treasury in regard to audit may be briefly summarised as follows :—

(*a*) To appoint persons to audit certain accounts of an official or quasi-official type, e.g. :—

(i) The Civil List Accounts.

(ii) Accounts of the Official Trustees of Charitable Funds.

(iii) Sheriffs' Accounts.

(iv) Accounts of the Ecclesiastical Commissioners.

(v) Thames Conservancy Accounts.

(vi) Accounts of the Royal Patriotic Fund.

(vii) Accounts of the Crown Nominee and Ultimus Haeres.

etc., etc.

(*b*) To regulate the audit of certain Accounts :—

(i) Insurance Funds under the Land Transfer Acts.

(ii) Accounts of Territorial Army Associations.

(iii) Accounts of National Insurance Committees.

(iv) Accounts of Approved Societies under the National Health Insurance Acts.

(*c*) To appoint Public Auditors from among whom are to be selected auditors of :—

(i) The accounts of Friendly Societies under the Friendly Societies Act, 1896 (59/60 Vict. c. 15 s. 30) ;

(ii) The Accounts of Industrial and Provident Societies under the Industrial and Provident Societies Acts, 1893 (56/7 Vict. c. 39 s. 72), and 1913 (3/4 Geo. 5 c. 31 ss. 2, 12 (3) and Schedule).

2. It does not seem necessary to quote statutes or other authority in the case of classes (*a*) and (*b*) above since the work is done either by the Department of the Comptroller and Auditor General, by some other Government Department, or by civil servants appointed by the Treasury. With regard to (c) My Lords understand that full information relating to the appointment of Public Auditors has already been furnished to the Committee by the Registrar of Friendly Societies.

3. In addition to the exercise of specific powers regarding audit, the Treasury is charged with duties regarding accounting under the Exchequer and Audit Departments Acts 1866 and 1921 and other statutes. These duties would not, however, appear to be within the scope of the Committee's enquiry.

4. On the general question of registration, whilst the matter is one which more closely concerns the general public and the Board of Trade in its administration of the Companies Acts, there would appear to Their Lordships to be no disadvantage in the existence of a Register, provided that a practical scheme can be devised restricting registration, both at the outset and in the future, to Accountants and Auditors of a reasonable standard of attainment and efficiency.

5. In the event of a Register being established, My Lords are of opinion that there should be no limitation of the present use of the description "Accountant" and that persons admitted to registration should be given some special distinctive description. In this connection I am to explain that there are many posts in the Government Service—as indeed in the Municipal and other Services—the occupants of which have been for a very long time (i.e. from dates anterior to the formation of the existing accountancy bodies) described in Acts of Parliament and numerous official documents as principal accountants, accountants, and so on, and it would be very difficult to abandon the use of these titles.

6. The question whether senior officers engaged on accountancy work in Government Offices ought to be admitted, ex officio, to registration is one which the Committee will no doubt take into consideration.

7. It would be necessary to safeguard the interests of individuals who obtain, either before or after entry into the Civil Service, membership of one of the presently recognised bodies of accountants. If members of these bodies are accepted generally for registration, Civil Service members should not, in Their Lordships' view, be debarred from registration even though it is customary to describe them in membership lists as "Not in practice".

8. Finally, it has been the practice of the Society of Incorporated Accountants and Auditors, and some other bodies (whose standing is perhaps not so widely accepted), to admit, under special arrangements, to their examinations for membership Civil Servants of suitable standing and experience. This arrangement has been, and continues to be, of considerable value to the Government service, and My Lords trust that nothing will be done prejudicial to its continuance.

13*th June*, 1930.

MEMORANDUM No. 53.

By The British Insurance Association.

1. Most, if not all, Insurance Companies have on their staff, as part of their internal organisation, an "accountant" or "accountants" such position being occupied by employees who may or may not be members of one of the recognised Associations of Accountants.

2. Accountancy in an insurance office is of a highly specialised character, and training in an insurance office is of at least equal importance for the proper discharge of such duties to a more general training in accountancy.

3. It is noted that in the terms of reference to the Committee are the words "whether it is desirable to restrict the practice of the profession of accountancy" etc. There is no definition of "accountant" or "accountancy" and these words may have more than one meaning.

4. From a perusal of the minutes of evidence already published (*see* Questions 282 to 315 on pages 34 and 35, 2nd day) it appears that these words may be interpreted so as to embrace employees of Companies, including Insurance Companies, who are holding such appointments as are referred to in the first paragraph.

5. In view of the fact that the Insurance Companies have adequate arrangements for the training of their own staffs, the British Insurance Association does not regard the registration of accountants as of any advantage to the Companies, and, indeed, would regard as distinctly disadvantageous anything which might limit the choice of the Companies or which might have the effect of restricting Insurance Companies from employing in their own offices, in the position of "accountants", such persons as they may deem fit to appoint, or of prohibiting the use of the term "accountant" to describe any person so employed whether registered or not. The Insurance Companies would oppose any proposal for legislation which might have this effect.

6. On the more general ground, and with regard to persons "practising as accountants" (in a sense distinct from that referred to above as regular employees of insurance or other organisations) the British Insurance Association has only to say that they would deprecate any legislation by the way of formation of a register or otherwise which might have the effect of giving a standing as "registered accountants" to persons who have not satisfied the requirements as to articles and examination of the bodies recognised as controlling the profession of accountancy.

7. Apart from the foregoing the British Insurance Association has no views to express on the subject contained in the terms of reference to the Committee and does not propose to offer oral evidence before the Committee.

18*th June*, 1930.

MEMORANDUM No. 54.

Further Addendum to Paragraph 32 of Memorandum No. 12 by the London Association of Accountants, Ltd.

1. The London Association of Accountants desires to direct the attention of the Departmental Committee to the further proceedings in connection with the Cardiff Corporation Bill.

2. These proceedings were before a Select Committee of the House of Lords, of which the Chairman was the Earl of Lucan.

3. As the Departmental Committee has already been informed, in an Addendum dated the 21st March, 1930,* the Local Legislation Committee of the House of Commons, after hearing evidence, inserted the name of the London Association of Accountants in the Auditors Clause (then No. 154, now No. 144) of the Cardiff Corporation Bill, thereby recognising the status and qualifications of its members alongside of those of the Chartered Institute and the Incorporated Society.

4. When the Cardiff Corporation Bill duly came before the Select Committee of the House of Lords, the Institute and Society lodged a joint Petition against the Clause as amended by the Local Legislation Committee. The London Association, thereupon, lodged a Petition against Alterations.

5. On the 2nd June, 1930, the Bill was considered by the Select Committee of the House of Lords and the Institute and Society appeared by Counsel and the London Association by Counsel and Witnesses in support of the respective Petitions. After hearing Counsel and Witnesses, the Select Committee gave its decision as follows :—

> "The Committee decide that the words 'or the London Association of Accountants, Limited' shall stand part of Clause 144."

6. This decision, endorsing, as it does, that of the Local Legislation Committee, establishes the fact that recognition of the status and qualifications of members of the London Association has been accorded by both Houses of Parliament, and strongly reinforces the submissions contained in paragraph 35 of the London Association's Memorandum.

6*th June*, 1930.

* *See* Memorandum No. 13.

MEMORANDUM No. 55.

By Mr. Sydney Atkins, Agent, Accountant and Assessor, and Motor Insurance Specialist.

1. With reference to the enquiry now proceeding as to the desirability of restricting the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law, I trust that representations have been made with regard to those persons who are not certified by any Institute or Association, but who are in active practice and are obtaining their livelihood as accountants and auditors so that they will not be deprived of their living should it be decided to set up a register.

2. It is probably well-known to the Departmental Committee that many so-called "unqualified" accountants are well able to undertake the investigation and preparation of such accounts as to satisfy the requirements of Inspectors of Taxes and that the standard of efficiency demanded is not in any way relaxed whether "qualified" or "unqualified".

3. Any experienced accountant would, I think, agree that the importance and dignity of the profession should rank as equal to that of any other profession, seeing that accountancy is the life blood of business, and would probably be sorry to stand in the way of recognition being accorded to the profession by the establishment of a register, but when the registers of even doctors and dentists were set up those persons already in practice were allowed inclusion and so have been enabled to carry on their livelihood.

4. I trust, therefore, that if the weight of evidence should impel the Departmental Committee to recommend the registration of accountants it will, also, be advised to include in such registration all persons who are able to show that they are in regular practice as accountants and have been so established for five years.

11*th June*, 1930.

MEMORANDUM No. 56.

By Mr. J. Copeland, Accountant and Auditor.

1. I have been in practice as accountant and income tax adviser to the smaller trader generally from March, 1921, on discharge from Corps of Military Accountants.

2. From my experience in the past nine years, I have formed the opinion that the profession is not overcrowded, and that a restricted number of practising accountants would cause hardship to traders, who nowadays must endeavour to meet the increasing demands in evidence by the Board of Inland Revenue.

3. It is no doubt recognised that a large number of members of the established professional Societies do not practice publicly, leaving a comparative few to meet the needs of present-day commerce and especially the single shopkeeper class.

4. Integrity must go with ability to give real service, and it would certainly appear that without adequate knowledge an agent cannot succeed with the Inland Revenue Inspectorate, but the able agent, registered or unregistered, is appreciated for his assistance to the Revenue by the Inspector, and especially in those difficulties encountered with the smaller businesses.

3rd June, 1930.

MEMORANDUM No. 57.

By The Baltic Mercantile and Shipping Exchange, Limited.

It is not the intention of the Directors of this Exchange to submit any suggestions to the Departmental Committee on the Registration of Accountants.

(*The Committee proceeded to the consideration of their Report.*)

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